3 Top TSX Bank Stocks to Buy After Earnings

Description

Earnings season was an unlikely win for the banking sector. However, Canadian financials are not out of the woods just yet. The economic effects of the pandemic are likely to be just as insidious as the virus behind them and just as hard to stamp out. And with deferrals due to expire this fall — just in time for a potentially frothy U.S. election market — bank investors may want to take a “wait-and-see” attitude to the sector.

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The heavy-hitting bank stock

TD Bank (TSX:TD)(NYSE:TD) surpassed expectations with its Q3 earnings beat. The country’s number two moneylender also offers some growth potential. This latter facet is one of the main buying points of TD Bank. It’s an especially strong choice for the Canadian investor focused on U.S. markets. TD Bank is a big name with big connections, such as the **TD Ameritrade** merger with **Charles Schwab** .

It’s that latter point, though, that may have TSX investors second guessing TD Bank this week. Exposure to the zero-commission trading space might not look all that attractive this week. Monday saw a number of online brokers experiencing outages. Reportedly affected names included Charles Schwab, TD Ameritrade, and Robinhood.

In terms of share price data, market fundamentals, and dividend yield, TD Bank is still looking fairly solid as we head towards fall. A 4.8% dividend yield is close enough to the magic 5% that is the staple of many income portfolios. A price-to-book ratio of 1.38 could be better, though, compared to some other Canadian banks. However, with TD Bank up 11.11% in three months, shareholders should at least be pleased that this stock is pulling itself out of the doldrums.

The runner-up plays for passive income

Scotiabank (TSX:BNS)(NYSE:BNS) appeals this week, if only from a contrarian point of view. It has to be said that its selloff was fairly muted considering its misses during third-quarter reporting. This was arguably the least attractive of the Big Five banks coming out of earnings season. However, as I suggested last week, it may take a little longer for the other shoe to drop for Scotiabank, so investors may be giving it a free pass.

The reasoning? This bank, more than any other, has a lot of exposure to the Pacific Alliance. Since the pandemic is having a later effect on this region, Scotiabank investors might expect the moneylender to report losses later than its contemporaries. For this reason, investors looking for a bigger picture should consider waiting for Scotiabank's Q4 before going all in or comparing it with its Big Five peers.

BMO is looking good this week, with fairly good value for money, a +5% dividend yield, and Q3 estimate beats under its belt. A 7% five-day share price boost also adds to the bull thesis for BMO stock. Trading at just over book price, BMO is a better play for intrinsic value than TD Bank and pays the richer dividend yield. Again, though, waiting for the fall may be the best way to get fairly valued shares in the current market.

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