



2 Great Bank Stocks You Can Buy on Sale

Description

The Canadian stock market came out pretty strongly from the bottom, despite the weak economic outlook and increasing COVID-19 infections. The high liquidity and reopening of the economy continue to lend support to the stock market.

While the majority of TSX stocks stormed back over the past five months to regain their lost ground amid the virus-led crash, shares of few top bank stocks continue to trade low. The lower interest rate environment and uncertain economic outlook remained a drag on bank stocks. Further, higher provisions for credit losses played spoilsport.

However, with the reopening of the economy, expected breakthrough in the treatment of the coronavirus, and a sequential improvement in the provisions for the credit losses, bank stocks could post improved financial performance, which could help them in reaching the pre-pandemic highs.

Top Canadian banks remain well capitalized and continue to grow their asset base, which is encouraging. Moreover, they offer stellar dividend yields, which is another reason why investors should keep bank stocks on their radars. Further, a double-digit decline in their stock prices presents an excellent entry point for long-term investors.

Let's take a look at two top Canadian bank stocks that are available at a discount and offer [solid yields for income investors](#).

Toronto-Dominion Bank

With a year-to-date decline of about 13%, investors should keep an eye on the shares of **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). The bank performed exceptionally well in the pre-pandemic phase. Moreover, its dividends have grown at a higher rate than most of its peers.

The bank has been paying dividends for the past 164 years. Moreover, its [dividends have grown](#) at a compound annual growth rate (CAGR) of 11.3% from 1994 to 2019. In the last 20 years, Toronto-Dominion Bank has consistently raised its dividends at an annualized rate of 10%, which is

encouraging and shows the strength of its core business.

Toronto-Dominion Bank's ability to grow revenues faster than expenses, expansion of loans and deposits, and cost-saving measures have led to a high-single-digit growth in its adjusted earnings over the past several years.

While low interest rates and higher provisions remained a drag on its year-to-date financial performance, Toronto-Dominion Bank is likely to rebound strongly as economic activities pick up the pace. Meanwhile, investors are likely to benefit from its high yield of about 5%.

Bank of Nova Scotia

Shares of **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) are down over 24% year to date. Moreover, it has declined about 28% from its 52-week high of \$58.22. The steep decline in its stock has driven its dividend yield higher. Currently, Bank of Nova Scotia offers a very high dividend yield of 6.5%.

Investors should note that its exposure to high-quality and high-growth markets and ability to drive loans and deposits are likely to lend support to its stock. Further, the sequential deceleration in provisions is likely to cushion its earnings. The bank generates the majority of its earnings from stable units, like the personal and commercial banking and wealth management business, which is encouraging. Meanwhile, it is gaining traction in its core growth markets.

Over the last 10 years, its adjusted EPS has grown at a CAGR of 8%. Meanwhile, Bank of Nova Scotia has increased its dividends at a CAGR of 6% during the same period.

While the pandemic significantly disrupted the financial sector, top Canadian banks like Bank of Nova Scotia are likely to recover fast with the improvement in the economy.

Bottom line

Despite the near-term hurdles, these two bank stocks like look attractive investment options for investors seeking income and value. The pickup in the economic activities is likely to drive substantial gains in these bank stocks. Meanwhile, investors could benefit from their high dividend yields.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
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4. TSX:TD (The Toronto-Dominion Bank)

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Author

snahata

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