



Got \$1,000? Snap Up These Top Bank Stocks Now!

Description

While a gloomy economic outlook and lower interest rates aren't a friendly environment for banks, I believe investors should [now snap up bank stocks](#) as they are still trading lower than their pre-pandemic levels.

The economic rebound from the lows of the March-April period and a sharp sequential reduction in provisions for credit losses could support a solid recovery in bank stocks. Further, the top Canadian banks are very well capitalized and continue to witness healthy volume growth in loans and deposits.

Another reason why you should consider buying bank stocks now is their robust dividend payments. The top three Canadian banks (by market cap) are offering stellar forward yields, which is better than most of the debt products available in the market. Also, these payouts are pretty safe.

So, if you've got only \$1,000 to invest, keep these top three bank stocks on your radar for both capital appreciation and dividend income.

Royal Bank of Canada

Shares of Canada's biggest lender, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), have recouped most of the losses and could soon be trading in positive territory on a year-to-date basis. The significant recovery in the Royal Bank of Canada reflects an uptick in economic activities and a sharp sequential improvement in provisions and net income.

For instance, Royal Bank of Canada's net income more than doubled in the third quarter of fiscal 2020 compared to the second quarter. Besides, the Common Equity Tier 1 (CET1) ratio of 12.0% reflects an improvement of 30 basis points.

Investors should note that continued improvement in the average loans and deposits volume, higher fee-based client assets, and lower provisions are likely to support the bank's bottom line, in turn, its payouts.

Royal Bank of Canada has been paying dividends for the past 150 years and paid about \$1.5 billion in dividends during the

[last reported quarter](#). Currently, shares of Royal Bank of Canada offer a quarterly dividend of \$1.08, reflecting a high annual yield of 4.4%.

Toronto-Dominion Bank

With a market cap of about \$109.5 billion, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is the second-largest lender in Canada. Though its stock has recovered sharply in the recent past, it is still down about 13% on a year-to-date basis.

Toronto-Dominion Bank is known for its ability to generate strong earnings growth, which supports its payouts consistently. The bank is paying dividends for the past 164 years. Moreover, over the last two decades, its dividends have increased by 10% annually, which is higher than its peers.

While increased provisions amid the pandemic remained a drag on its profitability, the bank remains in good financial shape and maintain strong capital and liquidity ratios. Its retail focus strategy, diversified revenue sources, and consistent growth in loans and deposits could continue to support its bottom line, in turn, its dividends. Toronto-Dominion Bank currently pays a quarterly dividend of \$0.79, reflecting a solid forward yield of 5.2%.

Bank of Nova Scotia

Shares of **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) offer good value and stellar dividend yield. Bank of Nova Scotia is down about 20% year-to-date and provides a good entry point for investors to play the recovery in bank stocks.

The bank derives most of its revenues from stable businesses like the wealth and the personal and commercial banking segment. Besides, its exposure to the high-growth markets, growing market share, and sustained momentum in loans and deposit volumes bode well for growth.

Bank of Nova Scotia's dividend has grown at a compound annual growth rate of 6%. Meanwhile, the bank currently offers a stellar dividend yield of 6.4%.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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