



Royal Bank of Canada (TSX:RY) Hasn't Looked This Good in Years!

Description

Don't look now, but **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) stock is within just a percentage point of hitting its all-time high after spending a majority of 2020 [climbing back](#) from the vicious coronavirus stock market crash.

While we're still not out of the woods yet with the insidious COVID-19 pandemic, I think the [rally](#) enjoyed by the broader basket of Canadian banks has only just begun. With the resilient Royal Bank leading the upward charge for the Big Six, I think the name could be on the cusp of a massive breakout that could challenge the big run-out of the depths of 2009.

The Canadian banks are making a comeback!

While there are still many COVID-19 headwinds plaguing the Canadian banks, investors are quickly discovering that they were far better prepared for this crisis than the housing disaster that imploded the banks just over 12 years ago. With capital ratios on the mend, diminishing headwinds, and a solid recovery trajectory on the horizon, the big banks have arguably never looked this good.

As I've mentioned in prior pieces, urging investors to buy Canadian bank stocks on the dip, we're likely to witness sell-side analysts shift their focus from provisioning and damage control to robust earnings growth. Royal Bank stock may be a pricier Big Six bank, but it's pricier for a very good reason, and there are many reasons to believe that shares could become that much more expensive as we head ever so closer into a post-pandemic environment.

Tremendous strength at Royal Bank of Canada amid COVID-19 pressures

Royal Bank has been on an incredible run off those ominous March depths. In Royal Bank's most recent quarter (Q4/2020), we witnessed continued strength across the board. Credit losses returned close to normal levels, while the robust capital markets and wealth management businesses continued

to do a considerable amount of heavy lifting.

Going into 2021, I suspect strength in capital markets and wealth management will continue as the weight of the COVID-19 crisis continues to be taken off the bank's shoulders. The strength in the two COVID-resilient businesses will also have Royal Bank's back if worse comes to worst with this pandemic, and we're headed for long-lived lockdowns that could be on and off through the year. I'd also be willing to bet that Royal Bank of Canada's wealth-management business will take share from the non-bank wealth managers, which, I believe, will continue to face an uphill battle as consumers opt for convenience.

Royal Bank's revenues for the quarter were nothing to write home about, down 2% to just over \$11 billion thanks in part to thinner net interest income. Although a lower-for-longer interest rate environment doesn't bode well for Royal's net interest margins (NIMs) over the medium term, I think a firm as robust as Royal will manage through such headwinds en route to a rising-rate environment that we could fall into in around four to five years.

Foolish takeaway on Royal Bank stock

Canada's biggest financial institutions will always find a way to make big money, regardless of the macro environment. As such, I'd urge investors to accumulate shares of Royal today before the stock has a chance to break out to new highs on the back of a Canadian economic recovery. Royal Bank is among the most expensive of the Big Six batch, but I think the premium price tag is well worthwhile, given the high calibre of business you're getting.

Royal Bank is back. And it's a buy in my books while shares trade at below two times their book value.

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