



Best Bank Stocks to Buy in 2021

Description

The COVID-19 pandemic had a devastating impact on the Canadian economy when restrictions and lockdowns were first introduced in the spring of 2020. Canadian bank stocks were riding high when the previous year began. However, they were pummelled by the March market crash and staged a long comeback through the rest of the year. The vaccine rollout has spurred hopes for a return to economic growth in Canada in 2021. Canada's largest financial institutions are poised to benefit.

Today I want to look at the best bank stocks to buy right now. Let's jump in.

Why Scotiabank is still my top bank stock

Scotiabank ([TSX:BNS](#))([NYSE:BNS](#)) was my [top bank stock pick](#) in the beginning of January. Its shares have climbed 4.4% month over month as of close on January 21. Moreover, the stock has increased 27% over the past three months, putting Scotiabank into positive territory in the year-over-year period.

Investors can expect to see Scotiabank's first quarter 2021 results in late February. In Q4 2020 the "International Bank" put together a better-than-expected quarter in the face of the ongoing crisis. Scotiabank delivered a profit of \$1.9 billion in the final quarter of 2020. The bank's presence in Latin America was a boon for most of the 2010s. However, this region has been the hardest hit globally during the pandemic.

Scotiabank should benefit from a gradual recovery in the Latin America region in 2021. Its shares possess a solid price-to-earnings ratio of 13 and a price-to-book value of 1.3. Moreover, this bank stock offers a quarterly dividend of \$0.90 per share. That represents a strong 5.1% yield.

Don't sleep on TD Bank this year

Former President Donald Trump curried favour in the business world with the passage of the *U.S. Tax Cuts and Jobs Act* in late 2017. At the time, I'd [suggested](#) that investors scoop up **Toronto-Dominion Bank**

([TSX:TD](#))([NYSE:TD](#)). TD Bank boasts the largest U.S. footprint of any Canadian bank. U.S. banks are unlikely to see a tax reform bill as friendly as the 2017 legislation during the Biden administration. However, the forthcoming multi-trillion-dollar stimulus won't hurt.

Shares of this bank stock have climbed 4.6% in 2021 as of close on January 21. TD Bank delivered a promising profit beat in the fourth quarter of 2020, driving by a reduction in provisions for bad loans and strong growth in its Capital Markets division. Profit in its retail operations rose 3% from the prior year to \$1.8 billion.

This top bank stock boasts an attractive P/E ratio of 11 and a P/B value of 1.5. It last declared a quarterly dividend of \$0.79 per share, which represents a 4.2% yield.

The biggest bank stock is not to be ignored

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is the largest financial institution in Canada. Its shares have increased 3.1% in 2021 so far. The stock is up 5% year over year.

Like its peers, Royal Bank managed to finish strong in a tumultuous 2020. Royal Bank earned almost \$3.25 billion or \$2.23 per diluted share in the fourth quarter of the prior year. Adjusted profit came in at \$2.27 – up from \$2.22 in Q4 2019. Despite this strong showing, CEO Dave McKay warned of headwinds due to the ongoing pandemic.

Royal Bank has a P/E ratio of 13 and a P/B value of 1.9 at the time of this writing. It offers a quarterly dividend of \$1.08 per share, representing a 4% yield. While Royal Bank may not offer the value or income of its peers above, its size and stability make it a worthy hold going forward.

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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)
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