



Top 2 Canadian Bank Stocks Poised to Soar in 2021

Description

The Canadian banks have been navigating through some pretty tough [headwinds](#) over the past several years. The initial weakness in Canadian credit caused some big Six banks to make some changes to better prepare for a potential uptick in provisions for credit losses (PCLs). Little did the banks know that a horrific crisis was just around the corner. In February and March 2020, the stock market fell off a very steep cliff, with the big Canadian banks leading the downward charge.

The COVID-19 pandemic weighed most heavily on very specific industries, including travel and leisure, restaurants, real estate, financials, and energy. As in prior crises, the weakness found its way back to the Canadian banks, which were left holding the bag as some businesses they lent money to faced financial difficulties.

Fading COVID headwinds to give Canadian banks a jolt in 2021

With several effective COVID-19 vaccines rolling out, the pandemic's end is likely in sight.

Even with the threat of mutated variants, leading expert Dr. Anthony Fauci recently said that existing vaccines can be adapted in response to any new variants. Drugmakers are reportedly developing "boosters" to target more contagious strains such as those discovered in South Africa.

That kind of commentary is definitely [encouraging](#)!

With a potential end to the pandemic likely in the cards over the next year, I think the Canadian banks are among the best-equipped to make up for lost time, with shares that could be on the verge of a much-awaited breakout.

Of course, not all Canadian bank stocks are built the same. At any given instance, there's always a best bank for your buck. And in this piece, we'll have a look at two of my favourite bank stocks to pick up at this critical market crossroads.

The power of a 190-year-old dividend!

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) took a bigger beating than its peers thanks to its loan book that just happened to have a larger slice of loans to the ailing fossil fuels space. The stock lost nearly half of its value from peak to trough before bouncing back in the latter three quarters of 2020. BMO shares have not looked back and there are many reasons to believe that the momentum can continue through 2021, as the macro picture looks to improve further.

Foolish contributor Nicholas Dobrouka called BMO one of his two top Canadian dividend stocks to buy right now, and I find it hard to disagree. Dobrouka highlighted the bank's historic dividend streak that I believe was discounted by investors during the coronavirus crash.

In the decade ahead, we'll see BMO's dividend reach the ripe old age of 200. The payout has been left intact through more than its fair share of crises and it's not about to be slashed anytime soon.

The most internationally-focused Canadian bank

Scotiabank ([TSX:BNS](#))([NYSE:BNS](#)) is a great Canadian way to get your emerging markets banking exposure. The banking scene and the international markets have been under a considerable amount of pressure in 2020. And it's times like these, when both areas of the market are out of favour, when it's typically a good idea to go against the grain with a contrarian position.

Although emerging markets are riskier, they can bring forth greater returns over the long run. In a market where prospective returns are perceived as being lower, I'd encourage investors to gain some emerging markets exposure from Scotiabank, while its shares are still off around 19% from their all-time highs.

The stock has a juicy 5.2% yield and I think it has room to run versus its peers as the emerging markets make a comeback.

CATEGORY

1. Bank Stocks
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2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BMO (Bank Of Montreal)
4. TSX:BNS (Bank Of Nova Scotia)

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