



## Why Royal Bank Is a “Forever” Stock to Put in Your RRSP and Forget About for 30 Years

### Description

As far as “forever” stocks go, I think **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) is among the best options for long-term investors today. This goes for Canadian or international investors. I think Royal Bank is one of the best banks globally and has the potential to outperform its mega-cap peers. This is a bank that has actually reached the level of “too big to fail” from a global perspective. After all, this has cracked the list of the top 10 North American banks in the past — a tremendous feat.

For those looking for Canadian banking exposure, there’s really no comparison right now in terms of safety, in my view.

### Steepening yield curve a huge positive for Royal Bank

I think one of the factors that could drive Royal Bank, and its peers, for that matter, much higher in the near term is a steepening yield curve. Despite central bank promises of lower-for-much-longer interest rates, bond yields further out are increasing right now. This environment is very bullish for financials stocks like RY that rely on net interest margins for profitability. Additionally, these higher interest rates at the long end of the curve signal that we could be coming out of this recession in a big way. This would be very bullish for large banks like Royal over the medium term.

An inverted yield curve has hurt Royal Bank’s investment thesis in recent years. With optimism around the efficacy of vaccines to help eradicate, or at least slow, the spread of the pandemic, investors are looking past 2021 to 2022 and beyond. If the economy is able to get back on track, banks will broadly do well.

Indeed, lenders like Royal Bank are so diversified, they’re impacted by such economic predictions. A steepening yield curve is a strong sign the market believes in this recovery. If you’re bullish on where the economy will be five or 10 years from now, Royal Bank is a great way to play domestic and global growth.

## Fundamentals remain rock solid

One of the reasons I like Royal Bank is the strong fundamentals this bank has shown in good times and in bad. This is a stock to get married to long term.

Royal Bank's margins are downright impressive in the wake of a global pandemic. The bank posted operating and net margins of 37% and 27%, respectively. The bank's return on equity has remained in double-digit territory, and its liquidity ratios remain solid. [This is a stock with a 4.1% dividend](#) that has shown the ability to grow its distributions over time.

Additionally, I think as the economy improves, we'll see provisions for loan losses come back to Royal Bank's bottom line. I think Royal Bank has been conservative with these provisions — a factor which should allow for outperformance in the coming quarters.

All of these factors make Royal Bank a company I think investors should make a forever holding in their RRSPs at these levels.

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1. Bank Stocks
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### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

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