



## ALERT: Canadian Banks Are Breaking Out — Buy Them Before the Value Vanishes!

### Description

Don't look now, but shares of the big Canadian banks are blasting off on the back of the latest round of earnings results. **National Bank of Canada** and **Bank of Montreal** led the upward charge, soaring 5% and 3%, respectively, on Wednesday. **TD Bank** ([TSX:TD](#)) ([NYSE:TD](#)), Canada's most American bank, surged nearly 2% and is now within a fraction of a percent away from its all-time high not seen since mid-2018.

## Should you buy the Canadian banks before they skyrocket to new heights?

Top performers National Bank and **Royal Bank of Canada** just hit new all-time highs. And with other Canadian bank stocks likely to follow suit, I'd look to give them another look, as investor focus continues shifting away from damage control (provisions for credit losses, thinning net interest margins) and back to earnings growth after years of [fading into the background](#).

Who would have thought that the Canadian banks would be capable of hitting all-time highs a year ago, when the stock market crumbled and with bank stocks like BMO shedding nearly half of their value over a matter of just a few weeks? Indeed, if you'd sold on the coronavirus crash, when all hope seemed to be lost for Canada's top financial stocks, you locked in a permanent loss and had to repurchase at higher prices.

## Never bet against the Canadian banks

Selling after such a vicious stock market crash truly is the biggest [sin](#) in the world of investments — as is blindly following sell-side analyst recommendations without conducting your own careful analysis.

Back in October, many analysts turned their back against banks such as TD, citing numerous headwinds as reasons for downgrades.

In [prior pieces](#), I'd urged investors to take downgrades with a very fine grain of salt, also noting that most of the bearish points outlined were nothing new and that they had already been baked into the share price.

It's not very often I urge investors to ignore sell-side analysts completely. They are the experts in their areas of coverage, after all. But when it came to TD and the Canadian banks, I slammed the downgrades and thought it made more sense to buy at the time of maximum pessimism.

As it turned out, several analysts were wrong in a big way. TD Bank stock proceeded to rally over 35% in the months that followed, and the huge 5-6% dividend yield had compressed below 4%. The opportunity to lock in a swollen yield alongside a deep-value multiple existed, but if you flinched or let analysts influence your thesis, you missed out on the incredible upside correction that rewarded the most patient of Canadian investors.

Today, the "steals" are all but gone. Still, I still view the Big Six banks as great bets ahead of what many hope will be the "roaring 20s." The U.S. Federal Reserve committed to keeping rates lower for longer in spite of the reflation we've witnessed, at least until the employment numbers recover.

With inflation likely looming and a potential uptick in employment on the other end of this pandemic, count me as unsurprised if we suddenly find ourselves in a rising-rate environment sooner than expected. It'll come as a shock to many, and bank stocks will really start to take off, as they look to ride on the back of the next bull market.

## The best bank stock for your buck

TD Bank remains my favourite bank stock at this juncture. It's a premium player that, I believe, is capable of regaining a richer price tag relative to its smaller brothers in the Big Six. The company skated offside when the coronavirus crisis hit. But it's still that reliable bank that may very well have the highest quality of earnings on this side of the border.

I think the banks will be led by TD en route to new heights over the next 18 months and that investors should pounce at the opportunity to nab TD stock while it still yields 4%.

### CATEGORY

1. Bank Stocks
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2. TSX:TD (The Toronto-Dominion Bank)

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