



## Today's Top Buy: Royal Bank

### Description

The six major Canadian banks have been an integral part of core holdings in several North American investors' portfolios. Going by multiple EPS reports, banks in general have shown consistent growth, providing safe dividends over time.

Despite being consistently undervalued, I think these are some of the [best stocks](#) to buy right now. Now rallying alongside other large-cap Canadian banks, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is yet another turnaround play investors should consider right now.

### Royal Bank's numbers are loud and resounding

Royal Bank churned out \$3.85 billion in the first fiscal quarter ending January 31, 2021, compared to \$3.51 billion last year. Analysts estimated a profit of \$2.28 per share, but RY surpassed predictions and bagged a profit of \$2.69 per share on an adjusted basis.

Its overall profit jumped 10% in this quarter, backed by a breakthrough performance in its capital markets division. Profits from equity trading activity in this division in the U.S. soared 21% to clock another record \$1.07 billion. Royal Bank also reaped benefits from a drop in loan-loss provisions, which fell to \$110 million from \$427 million in the previous quarter.

RY's personal and commercial banking operations contributed a massive share to the profit results, as its net income rose 6% YoY to \$1.79 billion. The Canadian residential mortgage book also maintained an average balance of \$305.1 billion in the first fiscal quarter of 2021 compared to \$293 billion in the previous one. Hence, in my opinion, RY stock serves as a superb addition to any long-term investor's portfolio, especially now.

### Time to be bullish on Royal Bank today, before it's too late

Analysts anticipated massive loan losses for banks during the global financial contraction in 2020. However, given the amount of stimulus pumped into the market, loan losses were not as bad as the

investors predicted. Moreover, I think the Big Six banks were conservative with their provisioning estimates for credit losses.

Once these provisions are removed, I think RY will be the first to recover among its peers. This is primarily due to its superlative international growth, backed by a 16% global contribution to its revenues in FY2020. Hence, as far as I'm concerned, Royal Bank is one of the most stable stocks investors can take a bite of. International market exposure will help them recover significantly faster, which means this top TSX stock won't remain cut-rate for too long.

## Bottom line

Royal Bank of Canada boasts of a diversified business across several channels, like P&C banking, capital markets, wealth management, and insurance. A massive chunk of its revenues is Canada based. However, its growing international exposure provides it with the potential to outperform broader markets in the long term.

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### TICKERS GLOBAL

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

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