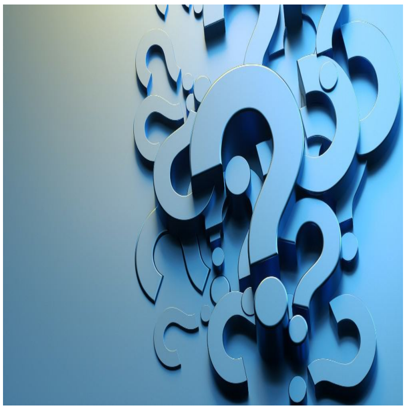

RBC (TSX:RY) Stock Is up an Impressive 9% in 2021: Buy Now?

Description

"When the going gets tough, the tough get going." The famous American-English proverb seems applicable to companies navigating the ongoing global pandemic. You wouldn't want to invest in mediocre assets that would wither under harsh market conditions.

Current shareholders of **Royal Bank of Canada** (TSX:RY)(NYSE:RY) are sticking to Canada's largest bank, because the institution is a tough nut to crack. The $160.39 billion bank has been around since 1864 and has seen the best and worst of times. Yet in the aftermath of every downturn or recession, RBC stands tall.

The banking giant's resiliency is on full display again in 2021. Despite the COVID-19's impact and massive industry headwinds, the blue-chip stock is up by an impressive 9% year to date. It could be your time to buy, because the rally is just starting.

Solid earnings results

In fiscal 2020 (year ended October 31, 2020), RBC's total revenue increased 3% to $47.1 billion versus fiscal 2019. The bank's net income slid 11% to $11.4 billion, although you should note that provision for credit losses (PCL) climbed 133% to $4.3 billion.

For Q1 fiscal 2021 (quarter ended January 31, 2021), things are looking much better. RBC's net income rose 10% to $3.8 billion compared to Q1 fiscal 2020. A lower PCL level ($277 million decrease from last quarter) and the 12% average volume growth were partly responsible for increasing net income.

Notably, RBC's average liquidity coverage ratio (LCR) of 141% translates to roughly $104 billion. It indicates the bank's financial position remains robust. Digital usage is growing, with 90-day Active Mobile users now at 5.2 million (+12% from a year ago). Digital adoption increased to 56.0%, while self-serve transactions are 500 bps (93.8%) higher from last year.

Key takeaways

RBC is in good shape in 2021. The bank is over-reserved with impressive growth in banking and trading. It's the best wealth management franchise in Canada, too. The country's banking industry is stable as ever due to the strong regulatory environment.

Today, the top Canadian brand is one of the 10 largest banks globally. The business is well diversified, while geographically, RBC is well balanced. It leads in digitally enabled banking relationship and AI. Management uses the bank's scale to increase its competitive moat.

Like its big bank peers, RBC didn't request a bailout or assistance from the central bank during the 2008 financial crisis. Through the years, including the severest recessions, the bank maintained a rock-solid capital position. RBC is no stranger to complex market environments and easily adapts to industry trends.

Stay safe and sleep soundly

For dividend seekers, RBC's dividend track record of 151 years is a mean feat. Dividend growth is possible after COVID-19. For now, would-be investors can relish the respectable 3.84% dividend. Market analysts foresee a potential capital gain of 18% in the next 12 months. The price could increase from $112.94 to $133.

I count Royal Bank of Canada as among the dream investments on the TSX. Even in prolonged periods of instability, you can sleep soundly. Now is not the time to be reckless and complacent. You need a safe place to park your hard-earned money to sleep soundly. This top-tier, established dividend payer is the most logical choice for dividend seekers and risk-averse investors.

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