



## 1 Top TSX Pick Long-Term Investors Should Buy Right Now

### Description

For investors looking for capital appreciation with low-risk exposure, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is a great option. Indeed, there are few companies with the potential to maximize portfolio value in the long term as Royal Bank.

This stock has performed very well since the pandemic-driven lows one year ago. Investors have correctly piled into beaten-up Canadian bank stocks and have been well rewarded.

Here are some catalysts I believe can take the company's valuation even higher.

### Interest rates to rise due to inflationary pressure

The CEO of Royal Bank of Canada, David McKay, believes that inflationary pressure is building in the economy as the end of the pandemic is in sight. During the early stages of the [COVID-19 crisis](#), interest rates were cut down to record lows. Now, it appears that input cost for labour and commodity could pose a serious challenge for Royal Bank of Canada.

As a result, the central bank has to increase the interest rates sooner rather than later. This rise in interest rates will significantly improve net interest margins and profitability of the banks.

If you're bullish on inflation coming out of this economic expansion post-pandemic, Royal Bank is easily a top pick right now. Indeed, banks are highly sensitive to the health of the economy — hence, the upside here.

### A prudent business model and strong international presence

Royal Bank of Canada operates through five business segments which include Personal & Commercial Banking and Wealth Management and Insurance. Hence, there are multiple channels through which it generates its [earnings](#). In the first fiscal quarter ending Jan 31, 2021, the bank reported profit worth approximately \$3.85 billion. Moreover, it surpassed analysts' EPS expectations of \$2.28 per share by a

solid \$0.41 on an adjusted basis.

The performance of the capital markets segment in the U.S. was instrumental in achieving these figures. From equity trading alone, the division managed to generate \$1.07 billion. Besides this, the company's retail banking division also delivered a strong performance. Royal Bank's quarterly profit from this segment jumped 6% to approximately \$1.79 billion.

Besides boasting a long-term viable business model, this company has a strong global presence. It provides services to institutional clients, personal, business, and the public sector in over 35 countries worldwide, including Dubai, Singapore, Spain, and more. In FY2020, its revenue reflected a 16% global contribution.

## Bottom line

With the rise in interest rates on the horizon, Royal Bank of Canada's prudent business model and International exposure, there's tremendous growth potential with this stock. Accordingly, I am convinced that Royal Bank of Canada stock is a great buy for investors who are looking to add an appreciable core holding to their portfolio.

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