



Why Canadian Banks Could Soar in April 2021

Description

Canadian bank stocks have a ton of momentum right now. It appears that this momentum certainly could continue into April.

Accordingly, for investors who want to play this sector, I believe that it's hard to find a better option than **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) stock. Indeed, it has been one of my top picks for a long time.

Here's more on why I think this stock could [outperform](#) the market this coming month.

Federal Reserve moves could boost Canadian banks

As a result of the [pandemic](#), regulators enacted some pretty drastic measures to shore up the financial sector. Among these, Federal Reserve restrictions on U.S. banks pertaining to share buybacks and dividend increases initially led to quite the selloff in the banking sector. After all, one of the key reasons investors buy banks is for their income appreciation over time.

The main goal of imposing these restrictions? Regulators wanted to enforce the conservation of capital, keeping banks in a position to lend even when the economy took a hit. Indeed, these changes helped the banks sustain operations throughout the period of crisis.

However, the Federal Reserve recently announced that these restrictions would be lifted, and the supplementary leverage ratio rule will expire at the end of this month.

These restrictions seemed to have worked in providing a buffer against losses. Accordingly, the move by the Fed to remove these restrictions can be viewed very positively. With a positive backdrop of a more "normal" regulatory environment on the horizon, investors in banks may be more enticed to pick up shares. This is a sector that has done very well since March lows, and indications are that this momentum could continue.

Among the Canadian banks, I think TD is one of the best picks in this regard. This is because the bank

is geographically diversified, and actually has more retail operations in the U.S. than anywhere else. As the regulatory environment shifts in Canada, this bank should benefit over the medium term.

High-quality dividend yield

A declining stock price a year ago led investors who were bullish on the Canadian banking sector to pick up high single-digit yields in companies like TD. That said, the company's current dividend yield of 3.8% isn't too shabby. That goes double for investors considering fixed income today.

TD has got one of the best asset portfolios of its peers and has been gaining efficiencies of late. The company's move to close 82 branches in the U.S. signifies TD's commitment to operational efficiency. The company has also been one of the leaders in using technology to boost returns among its peers.

Thus, I believe TD is a Canadian bank with one of the highest-quality dividend yields out there for investors today. It's a bank every long-term investor should consider today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Bank stocks
2. banking
3. canada
4. dividend
5. dividend stock
6. growth
7. growth stocks
8. investing
9. market
10. Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

default watermark

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. Bank stocks
2. banking
3. canada
4. dividend
5. dividend stock
6. growth
7. growth stocks
8. investing
9. market
10. Stocks

Date

2025/08/25

Date Created

2021/03/30

Author

chrismacdonald

default watermark

default watermark