



TD Bank vs. Royal Bank: Which Is the Better Buy in May?

Description

The United States posted 6.4% annualized GDP growth in the first quarter of 2021. Earlier in April, I'd [suggested](#) that investors should pounce on bank stocks, as the economy stormed back. Today, I want to compare the top two bank stocks on the TSX: **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) and **TD Bank** ([TSX:TD](#))([NYSE:TD](#)). Which is the better buy ahead of May? Let's jump in.

Why I'm targeting TD Bank in the spring of 2021

TD Bank is the second-largest bank in Canada. The bank stock has climbed 18% in 2021 as of mid-afternoon trading on April 29. Its shares have climbed 41% from the prior year. Investors can expect to see TD Bank's second-quarter 2021 results in late May. Earlier this month, I'd [discussed](#) why TD Bank was my favourite bank stock to buy right now.

In Q1 2021, it reported adjusted net income of \$3.38 billion or \$1.83 per share — up from \$3.07 billion, or \$1.66 per share, in the previous year. TD Bank benefited from improved earnings in its Canadian Retail segment. Revenues rose 1% on higher loan and deposit volumes and higher transaction and fee-based revenue in its Wealth business.

The reopening of the U.S. economy holds promise for TD Bank. This top Canadian bank boasts the largest U.S. footprint of its peers. TD Bank is one of the 10 largest retail banks south of the border.

TD Bank last paid out a quarterly dividend of \$0.79 per share. That represents a 3.7% yield.

Royal Bank is still one of the most important banks on the planet

Royal Bank is the largest stock on the TSX by market cap. In late 2017, the Swiss-based Financial Stability Board (FSB) designated Royal Bank as a global systemically important bank. Shares of this top bank stock have climbed 12% in 2021. The stock is up 33% from the prior year. We can expect to

see its next batch of 2021 results in the final week of May.

In the first quarter, Royal Bank delivered year-over-year net income growth of 10% to \$3.84 billion and 11% on a diluted per share basis to \$2.66. Net income in its Personal and Commercial Banking segment rose 6% from the prior year to \$1.79 billion. Royal Bank was also powered by strong average volume growth in the retail segment.

Like its peers, Royal Bank posted its best performance in the Capital Market segment. Net income jumped 21% from the prior year to \$1.06 billion. This was due to improved revenue and higher equity trading.

Royal Bank offers a quarterly dividend of \$1.08 per share, representing a 3.6% yield.

Which bank stock should you buy today?

TD Bank and Royal Bank are just about dead-even when it comes to their [dividend yields](#). Shares of TD Bank last had a favourable price-to-earnings (P/E) ratio of 13. Meanwhile, Royal Bank possesses a P/E ratio of 14. This is a close race, but TD Bank remains my favourite Canadian bank stock to own in the spring of 2021.

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1. Bank Stocks
2. Investing

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1. Editor's Choice

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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Author

aocallaghan

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