



3 Canadian Bank Stocks to Buy and Hold Forever

Description

Canadian banks have been surprisingly strong performers in 2021. **RBC Canadian Bank Yield Index ETF**, which tracks the Canadian banking sector, is up 19% for the year. Some banks are up even more than that. TSX banks are currently enjoying a boost from a solid first quarter, which saw most of them post double-digit year over year growth. In this article, I'll explore three Canadian bank stocks that are worth buying for the long term.

TD Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) has been one of Canada's best-performing banks over the last decade. Thanks to its vast and growing U.S. retail business, it has delivered returns that have left its Big Six peers in the dust.

In 2020, TD's U.S. banking operations suffered their first big setback in years. U.S. banks generally got hit harder by the COVID-19 pandemic than Canadian banks did, and TD's U.S. retail bank suffered a bigger earnings decline than its Canadian bank did.

However, it was also in 2020 that TD scored one of its biggest one-time wins in years.

In the fourth quarter, TD's sale of **TD Ameritrade** to **Charles Schwab** contributed a massive \$2.5 billion windfall. Earnings roughly doubled that quarter in GAAP terms. In the quarter that followed, Schwab shares contributed \$209 million in earnings to TD. They're expected to [contribute \\$223 million for Q2](#).

Royal Bank of Canada

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is one of Canada's biggest and most resilient banks. It's the largest of the Big Six by market cap. Its returns this year so far haven't been as hot as those of TD. And it probably won't deliver mind-bogglingly high returns going forward. But Royal Bank has the advantage of being one of the safer Canadian banks. Its core banking operations are focused on

Canada, which gives it a degree of stability that U.S. banks don't have (Canada generally has much stricter financial regulations than the U.S. does, forcing banks to be conservative). It does, however, have some U.S. exposure through its wealth management and investment banking operations. Overall, it's a well-run, diversified bank that should deliver solid dividends for the foreseeable future.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) has been one of the best-performing Canadian banks in 2021 so far. Up 20%, it has beaten both TD and RY.

This performance all comes down to one thing: phenomenal results in the first quarter.

In Q1, TD and RY posted about 10% year-over-year earnings growth. In the same quarter, [CM grew earnings by 34%](#), or 11% as adjusted. Even with the more conservative adjusted figure, CM beat TD and RY.

One strong quarter doesn't mean that CM stock will outperform forever. But even if the stock's first-quarter beat proves to have been an anomaly, CM is still one of the highest yielding of Canadian banks. Overall, it's a solid bank play for yield-hungry investors.

CATEGORY

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