



Bank Some Big Gains With These 2 Top TSX Banking Stocks

Description

As part of diversification, investors should consider all sectors. Indeed, the banking sector and banking stocks provide excellent total long-term return potential for investors. And in this era of economic reopening, such banking stocks provide excellent leverage to this catalyst relative to other sectors.

In Canada, the banking sector is one that's dominated by a few key players. That said, I think some banking stocks are better than others.

Let's dive into two of the top Canadian banks every investor should consider right now.

Top banking stocks: TD Bank

As far as growth in the banking sector goes, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) gets a nod as a [top pick](#). Indeed, many analysts remain bullish on TD's growth potential in this current environment.

Why?

Well, TD's track record of growth has been impressive. Recent results posted by the large Canadian bank show the recovery is going full steam ahead. This recovery has been led in part by lower loan-loss provisions and credit default rates. However, the factor that gets less attention is the means by which TD has actually increased its revenue organically of late.

During the past quarter, TD posted quarterly earnings of \$3.4 billion. These earnings were up substantially over the same quarter last year for obvious reasons. Indeed, it's hard to compare numbers on a year-over-year basis when last year was such a poor one. That said, it's the speed of the recovery that has many investors excited about banks once again.

TD's existing yield of 3.6% is extremely attractive when one considers where bond yields are today. Indeed, as investors increase their buying demand for bond-like proxies, banks could continue to see

capital inflows for some time. In this era of low interest rates, paradoxically, banks could outperform.

However, should rates rise, lenders such as TD could stand to benefit as well. A steepening yield curve would be bullish for net interest margins, which remain low. Accordingly, TD stands as a great pick for those bullish on the economic trajectory as well as those bears out there. It's a relatively safe pick in a market filled with overvalued stocks today.

Scotiabank

Another top Canadian bank worth checking out is **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)).

Indeed, the allure of Scotiabank comes in the diversification this stock provides. The company earns a substantial portion of its revenue and net income from its international operations. Indeed, the company's focus on high-growth markets globally positions this stock well for investors seeking growth.

Similar to TD, Scotiabank has a lot of the same fundamental drivers underpinning its business. Accordingly, investors bullish on the economic recovery will want to consider this banking giant right now.

However, I think Scotiabank's diversified approach to generating growth deserves to be underlined. Additionally, the bank's 4.5% yield is among the best of its peers. For investors seeking a higher-yield banking stock, Scotiabank could be the perfect fit.

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