



Afraid of a Delta Downturn? 2 Bank Stocks Could Overcome the Threat

Description

Investors can't disregard the possibility of a Delta-induced downturn. Interestingly, the **S&P/TSX Composite Index** keeps surging as speculations rise. The index declined on August 9, 2021, due to fears the deadly COVID variant could weaken oil demand.

The TSX stormed back two days later to register an all-time high of 20,554. Still, a meltdown isn't remote, despite the index's outperformance. No one knows if the threat is for real. The solution to reducing your anxiety is to stay on the safe side.

Stay invested in mature companies that have been through the worst recessions. **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) are no-nonsense investments for risk-averse investors.

Resilient sector

The financial sector, where the Big Five banks belong, is the third-best performer among the 11 primary sectors thus far in 2021. It also posted the biggest percentage advance (+20.89%) in the last six months. Meanwhile, BMO (+36.84%) and BNS (+21.98%) outperforms the TSX (+17.69%) year to date.

If you want [income stability](#), make the pair your anchors in an unpredictable environment. Remember that the big banks increased their provision for credit losses (PCLs) in 2020 to absorb the anticipated deterioration of loan portfolios.

Fortunately, credit quality held steady in that BMO and BNS reduced their PCLs. As a result, both banks have bloated cash reserves. In Q2 fiscal 2021 (quarter ended April 30, 2021), BMO's excess capital was \$6.9 billion. BNS has \$5.2 billion more in the war chest. Market analysts predict huge [dividend increases](#) soon.

First ever to pay dividends

BMO is the dream investment primarily because of its status as the pioneer in [dividend payments](#). The dividend track record of Canada's fourth-largest bank is eight years shy of two centuries. It should give you the confidence to invest if BMO hasn't missed a dividend payment for 192 years.

You can own the bank stock for \$128.73 per share to partake of the 3.29% dividend. The price tanked to as low as \$52.44 during the height of the emergency crisis. But BMO's current share price is 145.48 higher than the closing price on March 23, 2020. If a Delta downturn occurs, BMO should display the same resiliency and recovery patterns. In the last 48.7 years, the most investor-friendly stock's total return is 27,466.73% (12.23% CAGR).

Known worldwide

BNS started paying dividends in 1832, so its track record is approaching 200 years, too. This \$98.28 billion bank is more international than BMO. Apart from the core domestic market, Scotiabank caters to clients in Chile, Colombia, Mexico, Peru, Central America, and the Caribbean. Its wealth management business segment is present in 14 countries.

Canada's third-largest lender pays the highest dividend (4.44%) among the Big Five bank stocks. The payouts should be safe and sustainable, given the 58.06% payout ratio. The global pandemic hurt BNS shares. Its price fell sharply to \$42.93 on March 23, 2020, during the market selloff. Currently, the bank stock trades at \$80.97 per share, or 88.61% higher than its COVID low. BNS's total return in the last 47.8 years is 182,773.36% (16.68% CAGR).

Keep a long-term perspective

Don't let the market noise or dire predictions unsettle you. The bull market will eventually run its course, and the bears will take over. You can maximize returns and minimize risks through long-term investing.

CATEGORY

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