



## Why Big Banks Are Set Up for a Massive Crash

### Description

I've been writing for years now about how to Canadian Big Six banks are some of the best investments one can have in their portfolio. Now I don't believe that to be suddenly untrue. But there is a massive concern that Motley Fool investors should start paying attention to. And it could lead to a massive crash.

### The issue

On the surface, the Big Six banks look like they're headed towards the future. Each has committed to becoming carbon-neutral within the next decade. They make investments into companies trying to reduce greenhouse gas emissions. And boy, do they like to talk about that.

But have you ever asked yourself *how* these big banks continue to make crazy money? The answer lies within its holdings, and that's also where you might see the potential of a massive crash.

### The top three

For the purpose of this article, I'm going to [zoom in](#) on the largest banks by market capitalization. That would be **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), **Toronto-Dominion** ([TSX:TD](#))([NYSE:TD](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). But know that pretty much every bank is part of this massive crash potential.

To make money, the big banks need to invest. And those investments are primed to fire back at the companies within the next several years. When that happens, it doesn't look like the banks have much of a fallback plan.

The area that we're looking at in these holdings are (drumroll, please) [oil and gas](#).

If you're to look at each of the bank's 13Fs, you'll be able to see where they invest. At a glance, it looks like each of the banks has started to invest heavily in the tech industry. But dig deeper, and you'll find

the vast majority of shares are in both oil and gas stocks and companies that support oil and gas stocks. This sets them up for a massive crash if they don't get out.

## The solution

It shouldn't come as a surprise, and, frankly, it's not entirely the banks' fault. There simply isn't another industry that offers the significant income that comes with investing in oil and gas. But *there could be*.

What's worse, is the tech stocks they *do* invest in aren't Canadian. So, there's a much smaller support platform for this booming industry. And the big banks have the funds to make this happen. But, of course, they can't do it alone, encouraging the massive crash potential.

So, while the big banks can have some blame set on their shoulders, it's the government that needs to change its investment strategy. No matter what party a Motley Fool investor supports, practically each will talk a big talk about moving to clean energy, while continuing to support oil and gas. It's clear why. This area has certainly provided solid income in the past.

But it won't in the future. By 2040, even the Organization of Petroleum Exporting Countries (OPEC+) stated that is when oil and gas will begin to come second to clean energy sources. Even more alarming? The only reason it will continue this long is the rise of the middle class in lower-income countries moving away from coal. So, countries like Canada will need to be on board with clean energy far soon.

## Bottom line

Things are already changing. Investors are already moving their shares to emerging industries. But clean energy is *not* emerging. There are companies with historical growth and stable futures like **Brookfield Renewable Partners** that could provide stable [earnings](#). And the big banks need to start investing in them like it's the *real* future, not a potential one.

It will take time to get out of oil and gas, but that needs to start happening. If not, these companies are setting themselves up for a massive crash.

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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)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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