



1 TSX Stock That Could Be the Opportunity of a Lifetime

Description

E-commerce giant **Shopify** did the impossible when it dislodged **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) as the most valuable company on the TSX. The feat happened in May 2020, the year of COVID-19. Likewise, the tech phenomenon got a big lift from lockdowns, and its sales doubled as a result.

However, if you're looking for the [investment](#) opportunity of a lifetime, it could be Canada's largest bank, not the TSX's superstar. Despite losing the throne to Shopify, RBC stands tall in the pandemic environment. Many investors still have this bank stock as the cornerstone of their portfolios.

The rise to number one

RBC has long been second fiddle to **Bank of Montreal**, the country's oldest bank and the premier financial institution in the 1880s. Its expansion to international markets started in 1918 after World War I. The bank's assets peaked at \$1 billion in 1929 to overtake BMO.

However, it held the leadership position briefly because of the Great Depression. BMO reclaimed the title as Canada's biggest bank when RBC's assets went down to \$729 million in 1933. World War II came in 1940, but in the post-war, or 1945, the bank's assets grew to \$2 billion.

During the 60s economic boom, the first computer in Canada's [banking industry](#) was a momentous event worth sharing. RBC installed an IBM 401 in 1961. In 1967, a deposit was the first Canadian computerized banking transaction.

Fast forward to the 2000s, and **Toronto-Dominion Bank** became Canada's top bank in 2013. In 2018, RBC rose and sat on the throne once more.

The global pandemic

The coronavirus outbreak triggered a market selloff in March 2020. RBC's net income in Q2 fiscal 2020

dropped 54% year on year to \$1.5 billion. It wasn't because of poor performance, but instead the increase of provision for credit losses to \$2.8 billion. Moreover, RBC's common equity tier one ratio was 11.7%, well above the regulatory requirements.

On the stock market, RBC's share price sunk to \$67.25 on March 23, 2020. Still, investors did not lose, as the bank stock recovered from the shock. The overall return for the year was 7%. Note that in the last 48.9 years, the total return is 48,884.38% (13.5% CAGR).

Potential dividend hike

As of October 26, 2020, RBC trades at \$132.70, or 97% higher than its COVID low. Had you bought \$20,000 worth of shares on the dip, your money would be worth \$39,464.68 today. Also, you can partake of the 3.26% dividend if you invest today. The 151-year [dividend track record](#) tells you that you can buy the stock and hold it forever.

Furthermore, management can deploy funds for dividends with the bank's excess capital of \$9.9 billion after Q2 fiscal 2021. Only the banking regulator's restrictions on dividend increases stand in the way. According to market analysts, the dividend hike could be as high as 25%.

Extended competitive advantage

Moody's Investors Service is reviewing RBC for a possible rating upgrade. The rating agency said the diversified business mix has extended the bank's competitive advantage over many of its peers. Canada's largest lender is strong, with stable profitability and a record of strategic execution. The upgrade will confirm that RBC is your investment opportunity of a lifetime.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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