



1 Bank Stock I'd Buy After the Big Six Banks Bounce

Description

It finally came — an early holiday present from the Big Six banks. Across the board, with restrictions dropped, the Big Six banks were finally able to bump their [dividends](#) for the first time since the pandemic started. But there's one bank stock I'd consider at the top of my wish list.

Royal Bank

Royal Bank of Canada ([TSX:RY](#)) ([NYSE:RY](#)) proved to be my favourite bank stock after [boosting](#) its dividend by 11%. Furthermore, analysts believe there are further jumps in the future. There could be another double-digit dividend jump in 2022 and yet another strong one in 2023. That creates an opportunity for growth from dividends alone!

But when Royal Bank released its earnings this week, there were other signs that [growth](#) is on the horizon for returns as well. Inflation and the rise in interest rates would be good news for the bank stock. Chief Financial Officer Nadine Ahn confirmed this in an earnings call, stating that Royal Bank stock should see margins stabilizing in both Canada and the U.S.

Further, there was 9.5% growth in its capital markets division year over year, with corporate and investment banking revenue rising. This came from both loan syndications and mergers and acquisitions. Royal Bank sees that continuing into the new year. Net income also rose 20% year over year, with profit hitting \$2.71 per share — just shy of estimates.

The bank stock seems confident about this growth, announcing it plans to buy back 45 million shares at current prices. That would be a total cost around \$5.68 billion. This comes after a ban on buying back shares as well to protect the financial system.

Buy the dip

It's this last point that has shares continuing to trade at value, and that's why I'd suggest Royal Bank stock as the top bank stock. Shares of Royal Bank remained relatively stable after earnings. There was

no drop, sure, but no climb either, even after a dividend boost. This comes from stabilized earnings coupled with missing estimates.

So, that continues to mean the bank stock is a value stock. It currently trades at 11.92 times earnings, and 2.08 times book value. That puts it well within value territory. It now trades down just 5% from 52-week highs, giving you a nice boost when it returns to normal prices.

And it will. A bank stock is nothing but stable, and that includes Royal Bank stock. It's the largest by market capitalization at \$181 billion and now offers a dividend yield of \$4.32 per share per year. With the increase, that will jump to \$4.80 per share per year, or \$1.20 per quarter!

Bottom line

Just because Royal Bank stock didn't have perfect performance doesn't mean you shouldn't consider the bank stock. With higher dividends and growth on the way, it's a great time to jump on the value stock. And here's an example of why.

Let's say you bought \$50,000 in shares at today's levels. Those shares then climb to 52-week highs, and you claim the new dividend. That would turn your portfolio into \$53,064 practically overnight, with dividends of \$1,901 per year! And there will likely be even more growth in both returns and dividends in the near future. What's not to love?

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. alegatewolfe
2. kduncombe

Category

1. Bank Stocks
2. Investing

Date

2025/08/23

Date Created

2021/12/03

Author

alegatewolfe

default watermark

default watermark