2 Canadian Bank Stocks That Are Screaming Buys Today

Description

The Canadian banks are back! Many in the Big Six cohort are right back to beating on earnings and raising their dividend after nearly two years of considerable pressure and strict pauses on dividend hikes and share buybacks. Indeed, 2020 was a tough year for the big banks, as they stumbled, with provisions for credit losses (PCLs) surging from across the board. Despite robust capital ratios, many feared that the worst was to come from the insidious coronavirus and its impact on the world economy.

As it turned out, the Canadian banks were screaming buys. It didn't matter which one of them you picked up, as long as you acted when the stock market crashed back in the days of February and March 2020, when it seemed like stocks were going to tumble further and further into the abyss, with no real bottom in sight. Eventually, the Fed stepped in, the banks bounced back, and the rest is history.

Canadian bank stocks on the ascent again

Today, the Canadian banks are looking quite stellar, with PCLs diminished, loan growth continuing to grow again, and the margin-enhancing prospect of higher interest rates just around the corner. Indeed, a Goldilocks environment for Canada's top financial institutions may be up ahead, even with the Omicron variant of concern still out there. We know more about COVID's impact and how to manage through waves. This degree of certainty versus back in early 2020 gives confidence to investors to stand by the top blue-chips, most notably the big banks.

In this piece, we'll have a look at **TD Bank** (TSX:TD)(NYSE:TD), which just came off a big beat and dividend raise, and **Scotiabank** (TSX:BNS)(NSE:BNS), another bank that beat and raised this past week. Both names had solid reactions post-earnings. Still, both names look undervalued and likely to continue their momentum through 2022 and potentially beyond, even if COVID reduces the rate of rate hikes over the coming 18 months.

TD Bank

TD Bank just clocked in an incredible quarterly result that propelled shares up over 5% before ending the day slightly below the mark. Indeed, it was a genuinely remarkable quarter and seemed to make up for the past few quarters of relative underperformance. As TD Bank looks to expand upon its net interest margins in conjunction with higher rates, expect TD stock to regain a more significant premium multiple. Even after the big up day, shares are still dirt-cheap. In due time, expect the Canadian banks to sustain a rally to heights, with TD as one of the frontrunners.

TD also delivered a juicy 13% dividend raise alongside a share repurchase plan that could see as much as 50 million shares be bought back. I find it'll be tough to keep TD down now that it's finally ready to flex its muscles.

Scotiabank

Scotiabank also had a respectable quarter. Still, its stock had a more muted reaction, given the magnitude of the strength wasn't quite as pronounced, with international risks that could persist amid the COVID crisis. Regardless, BNS shares are a great buy with a dividend near the 5% mark.

Moreover, once the economy is ready to move on from the pandemic, Scotiabank could have the most upside. Higher risk means higher reward, after all. And in the case of Scotiabank, I think the rewards potential much outweighs potential risks.

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