



2 Bank Stocks That Could Rocket Higher in 2022

Description

The stage seems set for a remarkable rally for the big bank stocks this 2022. Now, an impressive rally is already behind them. But I think the valuations remain modest, despite the strength that's now in the past. While I'm no fan of chasing hot momentum stocks due to prior performance, I am still an advocate of focusing on the path forward. If the valuation is right, and the environment ahead looks solid, you shouldn't shun a name, especially not a well-established blue chip like the big Canadian bank stocks, just because of past performance.

Forget about what has already happened. Focus on the road ahead. Because as an investor, that's what really matters. Currently, bank stocks still seem cheap, despite their runs. With rates poised to rise this year, I think that the big banks have a meaningful pillar of support for their rallies. In fact, some of the better-performing bank stocks may deserve to trade at a premium multiple at this juncture.

Bank stocks bounce back big time: The rally probably isn't over yet

Think **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **National Bank of Canada**, two top banking players you'd do well with by just buying and forgetting them for 2022 and beyond. TD is the number two banking behemoth. It has a heavy retail banking exposure, with a respectable exposure south of the border.

National Bank is an underdog, the number six of the Big Six. It's flexed its muscles during the pandemic. Both bank stocks seem way too cheap to ignore, given the tides are continuing to rise, propelling the broader basket of Big Six names higher.

TD and NA stock are a great pair investment to stash in the core of your TFSA portfolio. Although you'd probably do well with almost any bank, TD and NA seem to be slightly discounted by investors this [January](#). Of the two, I think TD is the better fit for most.

TD Bank: My top pick in the banking scene

TD Bank is a Canadian banking giant that served up a [solid](#) earnings beat alongside a dividend hike and buyback program. Same story as its peers this latest quarter. What separates TD from the pack is how it stands to benefit as rates rise. Its retail exposure will really do well once rates rise and margins have the means to trend higher. Further, TD is a well-run bank with enough firepower to pull the trigger on a sizeable deal, likely in the U.S. market. Management noted that if it doesn't make an acquisition, it'll boost its share repurchases. Indeed, if the price isn't right, TD may ultimately walk away.

Either way, investors should look to punch their ticket into the name, as management is all about conservative management and allocation of capital. That means the odds of an overly expensive deal are minimized. For the calibre of company you're getting and such profound tailwinds up ahead, I'd argue TD deserves to be a more than \$200 billion company (its market cap is at \$184.8 billion right now). At 13.1 times trailing earnings, TD is a value pick that could enrich the patient. Personally, I own shares and will continue to accumulate on any meaningful dips amid its strong rally.

TD stock is more expensive than NA stock, which goes for just 11.1 times trailing earnings. Both TD and NA sport yields around 3.5%. TD is coming off an incredible result, though, while NA is fresh off a pullback following a sub-par quarterly report. Indeed, both names are compelling, but I'd argue TD is the cheaper bank relative to what you get. For that reason, TD is a better bet than NA in my books. Though buying both may be a wise decision for TFSA investors looking for greater diversification.

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