



2 Canadian Banking Giants to Crush Inflation

Description

Inflation may or may not back down in 2022. Odds are, it'll stick around for another two years, and if you're not prepared to deal with more price increases across a broad range of goods, you should look to some of the dividend studs on the TSX while their share prices are depressed and their yields are swollen.

Indeed, it's the job of individual investors to position their portfolios in a way to stay ahead of inflation. There are a lot of risks out there in [risky](#) assets (like equities and REITs) these days, though. It's not an easy task to build wealth thus far this year. Nobody wants to be caught offside, collecting a 5% yield that's nullified on a total returns front (total returns count dividends and capital gains) from a stock that stands to plunge by 15%, 20%, or even 30%.

Worried about inflation? Canada's top banking giants are great buys

While dividend and value stocks aren't necessarily in the crosshairs of this latest selloff (growth is the culprit), shockwaves could spread broadly, especially if economic growth ends up falling short and the Fed hikes rates anyway. Stagflation seems unlikely, given how robust earnings have been and the reluctance for the Fed to trigger a recession with rate hikes, even amid rampant inflation. Still, if mistakes are made, or the Fed gets a bit too hawkish to make up for being "behind the curve," anything is possible. Further, other risks like COVID or a potential war brewing between the Ukraine and Russia are significant question marks that could jeopardize the current bull market.

In any case, inflation is the one risk that investors can combat. Geopolitical tensions and the Fed's plans are out of your control. How to fight inflation without jumping into a potential value trap? Consider the big Canadian banking giants. They've got the wind to their back after many years of headwinds, ranging from the downturn in Canadian credit to the COVID crisis.

The banks have been on a heck of a run. And I'd bet it's far from over. My favourites at this juncture are **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). I own both names

and will continue adding on any further weakness.

TD Bank

TD Bank is a [premier](#) player in the banking scene. It has exceptional managers who know how to achieve solid returns for shareholders through good and bad times. Currently, TD is keeping watch on potential M&A targets in the states. It could make a big splash, as BMO already has, but if it can't, investors can expect TD to return even more capital to shareholders.

At writing, shares go for 13.8 times trailing earnings. With a 3.4% yield, I think TD's dividend can help you stay ahead of inflation, while capital gains help you build real wealth in a year that could see negative returns and unforgiving inflation levels. TD is a bargain in my books, regardless of whether it makes a retail banking deal or not.

Bank of Montreal

Bank of Montreal is an intriguing Canadian bank that shocked us all when it served up a 25% dividend hike. BMO will be busy integrating its latest acquisition of Bank of the West, a deal that could be rich with synergies. While the deal wasn't a bargain, I think that BMO's managers have more than what it takes to integrate and create value.

At 12.8 times earnings with a 3.6% yield, I think BMO is a must-own for investors seeking the perfect mix of growth and income. BMO is a premium bank, yet its valuation still seems to discount management's capabilities? My takeaway? BMO stock is ready to roar from here.

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Author

joefrenette

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