



## Could Royal Bank Stock Be a Great Buy Right Now?

### Description

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest bank. This diversified bank stock extends wealth-management services, insurance, capital markets services, corporate banking, commercial and personal banking. Though this lender is concentrated in Canada, it boasts additional operations in the United States and other nations.

I believe there are several reasons why this TSX bank stock can be an [excellent buy](#) right now. Let's dive into why this is the case.

### Strong earnings provide support for Royal Bank stock

One of the more recent bank stocks to provide [earnings](#), Royal Bank really delivered strength to investors. Much of this strength was due to the bank's diversified operations. The company's core domestic banking business helped offset weakness in the company's capital markets unit.

Overall, Royal Bank grew its revenue by 6% year over year to \$4.1 billion. On an adjusted earnings-per-share basis, this came out to \$2.87 per share. These numbers beat analyst expectations by a wide margin, with analysts expecting only \$2.72 in earnings per share during this past quarter. Additionally, revenue came in more than \$600 million above expectation for the full year, suggesting there's a lot to like under the hood with this bank stock.

That said, credit quality did deteriorate slightly during this past quarter. Higher interest rates are responsible for most of this deterioration. However, over the medium term, most analysts expect higher interest rates to boost the net interest margins of Royal Bank. This should provide a positive effect for this bank stock moving forward.

### Investors should take note of these factors

Besides how Royal Bank opened its earnings season, several other reasons point out that Royal Bank will continue its impressive run.

First, it's worth noting that with the financialization of the Canadian economy, the banking segment has immensely benefitted. Indeed, this sector benefits more than any other from this trend. Credit card borrowing is continuing to rise, as is capital markets activity. While some suggest that these businesses are at their peak, it's been hard to predict a top for these segments over the long term.

Additionally, it's widely expected that interest rates will continue to rise this year. For Royal Bank stock, this is generally a good thing. As mentioned, rising margins should boost the fundamentals of Royal Bank further.

## Bottom line

Overall, most analysts tend to think Royal Bank's earnings were quite strong. I agree.

As investors look forward to what could be a period of rather intense volatility as interest rates rise, Royal Bank stock is one beacon of stability to look to. Accordingly, this stock remains a top pick of mine right now.

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2. Investing

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