



2 Top Canadian Bank Stocks to Consider as Interest Rates Rise

Description

Central banks from both sides of the United States-Canada border have signaled that interest rate hikes are likely to continue. Both central banks raised interest rates in their most recent meetings. Accordingly, many investors are keen on the idea that the days of the accommodative policy may be nearing an end — at least, until inflation can get under control.

How should investors manage this environment? Well, some sectors are likely to perform better than others. Namely, financials are a group of stocks many are focused on right now for this reason.

Accordingly, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) are two top Canadian bank stocks I think are worth a look right now.

Battle rising interest rates with Scotiabank

Net interest margins of all banks tend to perform well in rising interest rate environments. For Scotiabank, this has certainly been reflected in the company's recent results.

Many investors also like this lender's overall business model. Indeed, this global financial services provider extends an array of services, advice, and products. This includes private banking and wealth management, investment and corporate banking, capital markets, and commercial and personal banking. The international operations of Scotiabank span several nations and are more concentrated in South and Central America.

Scotia iTrade, the online brokerage of Scotiabank, is the most recent financial institution that stopped selling mutual funds bearing embedded advisory fees. The main aim is to prepare for upcoming regulatory changes that won't allow the collection of trailing commissions for online trading platforms.

Royal Bank of Canada

Royal Bank of Canada has the biggest retail network in Canada, with more than 4,000 ATMs and

1,100 branches. As the big dog in the Canadian banking space, Royal Bank is often looked to as a top holding from investors.

Additionally, it's worth noting that this bank is expanding its Canada-based business. Royal Bank of Canada's average deposits stood at \$408 billion for fiscal (FYE is 10/31) 1Q22. This is 31% more than Q1/20. Furthermore, the bank's average loan balance was \$415 billion in fiscal Q1/22 — 15% more than 1Q20.

Like Scotiabank, Royal Bank focuses on growing its core business segments. Both lenders are highly diversified, with operations spanning the globe. Accordingly, investors looking for size, diversification, and solid [dividend](#) income over time may like how these financials are positioned.

As interest rates rise, so too should the margins of both these companies. Accordingly, those looking at Canadian bank stocks may want to consider these two options first.

CATEGORY

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2. Investing

TICKERS GLOBAL

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:RY (Royal Bank of Canada)

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