3 Bank Stocks That Are a No-Brainer Buy

Description

The Canadian banking sector has proven its mettle time and time again. It's capable of surviving major economic crises, and thanks to the conservative policies of the regulatory body and the banks' own approach, the banks and their dividends almost always remain financially stable.

If you buy any of the Big Six banking stocks and hold on to them for long enough (ideally, more than a decade), you are likely to see decent gains.

But even though the whole pool of assets is a no-brainer buy, there are three that stand out for obvious reasons.

The largest bank in Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) stands out as the leader of the pack. It's the largest bank by market cap and the most valued company on the TSX. And even though it's almost a textbook definition of a blue-chip stock, the stability and magnitude haven't dragged down the bank's capital-appreciation potential while simultaneously endorsing its dividends.

At the time of writing this, the bank is trading at a price of $136.6 per share. This price is a 25% premium from its pre-pandemic peak but also an 8% discount from its recent peak. And considering the current trajectory of the stock, the discount is likely to go much higher.

So, even though it's a no-brainer buy, waiting for RY to become more discounted and its yield to become even more attractive would be the smart thing to do.

The second-largest bank in Canada

Toronto Dominion's (TSX:TD)(NYSE:TD) discount is even more pronounced than top dog RY's. The bank is currently trading at a 10% discount from its 2022 peak. However, since its growth phase was slightly more powerful than RY's, its premium compared to the pre-pandemic peak is also proportionally higher at 27.6%.

The bank is currently offering a decent 3.6% yield, which might easily turn 4% if the correcting continues and may reach 5% if the current slump reaches the proportions of a small crash. And buying then wouldn't just be a smart move from the dividend perspective but also from a long-term capital-appreciation standpoint.

The smallest of the Big Six

National Bank of Canada (TSX:NA) is not just the smallest of the Big Six. It's disproportionally smaller than the other larger banks in terms of market cap and is less than half the size of the next largest in line — i.e., **CIBC**. However, the smallest of the bunch offers the highest capital-appreciation potential, and it's not just better at pace but also at consistency.

In the three years preceding the pandemic-driven crash of 2020 (starting April 2017), both TD and RY grew roughly around 15%. National Bank of Canada, however, grew 37%, which is way more than twice the growth the other two giants offered. Its post-pandemic growth was similarly higher than the rest. And, if bought at a discount, its future growth will also be highly likely to outpace the others.

Foolish takeaway

The three banks are both great dividend and growth stocks, especially if bought at the right time, which might be fast approaching. The post-pandemic growth of the financial sector and giants like the three banks above was uncharacteristically fast, and the correction that's happening right now was long overdue. The three banks would be perfectly ripe to buy when the correction reaches its pinnacle.

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2. NYSE:TD (The Toronto-Dominion Bank)
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Date
2025/08/21
Date Created
2022/04/15
Author
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