



Should You Buy the Dip in Canada's Top Bank Stocks?

Description

The **S&P/TSX Composite Index** [plummeted 633 points](#) on May 9. Financials are the biggest sector on Canada's major stock index. It includes the largest stocks on the TSX by market capitalization. The **S&P/TSX Capped Financial Index** slipped by 1.26% in the same trading session. Canada's top banks are set to [release their second-quarter earnings](#) in late May and early June. Should investors look to scoop up bank stocks in this volatile market? Let's jump in.

Canada's top bank stock has been throttled since reaching an all-time high in January

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is the largest stock on the TSX by market cap. Obviously, this makes it the largest Canadian bank stock. Shares of Royal Bank have dropped 6.6% in 2022 as of close on May 9. The stock is still up 6.1% in the year-over-year period.

This bank is set to release its second-quarter 2022 results on May 26, 2022. In the first quarter, Royal Bank continued to build on a strong 2021. However, Royal Bank and its peers are facing mounting challenges along with the broader Canadian economy. Rising interest rates have already dramatically slowed real estate sales and price growth. Moreover, consumers are being crushed by inflation. This will inevitably have an impact on domestic credit and deposit growth.

Shares of this bank stock still possess a favourable price-to-earnings (P/E) ratio of 11. It offers a quarterly dividend of \$1.20 per share, which represents a 3.7% yield.

Will TD Bank's unique position provide a boost in 2022?

TD Bank ([TSX:TD](#))([NYSE:TD](#)) is the second-largest bank stock on the TSX. It is also one of the largest retail banks in the United States. Shares of TD Bank have plunged 6.9% in the year-to-date period. The stock is up 7.8% from the previous year.

Last month, I'd [discussed](#) whether investors should buy the dip in TD Bank. This bank is also set to release its second-quarter results on May 26, 2022. TD Bank is facing the same challenges as Royal Bank, even with its large U.S. exposure. Indeed, consumers south of the border have also been squeezed by soaring inflation. Meanwhile, home sales and price growth have also slowed in the first quarter. This means that investors will not be able to run from domestic pressures by snatching up TD.

This bank stock also has a favourable P/E ratio of 11. It last paid out a quarterly dividend of \$0.89 per share. That represents a 3.8% yield.

Why global exposure could bolster this top bank stock going forward

Scotiabank ([TSX:BNS](#))([NYSE:BNS](#)) is the third bank stock I want to look at today and the third largest of the Big Six. Its shares have plunged 10% so far in 2022. However, the stock is still in the black in the year-over-year period.

The bank is set to unveil its next batch of earnings on May 25. Scotiabank is renowned for its significant global reach, especially in Latin America. This region is still recovering from the COVID-19 pandemic and set to post slow growth in the quarters ahead. That means Scotiabank will be increasingly reliant on its domestic performance.

Shares of this bank stock possess an attractive P/E ratio of 10. Moreover, Scotiabank has Royal Bank and TD Bank beat out with a quarterly dividend of \$1.00 per share. This represents a very solid 4.9% yield.

CATEGORY

1. Bank Stocks
2. Investing

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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:RY (Royal Bank of Canada)
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