



Top 2 Stocks for Beginners in 2022

Description

Buying stocks for the first time is likely to be intimidating — especially when seemingly every stock is dropping like a rock. The first time I bought a stock it lost 35% of its value within a few months. However, that stock eventually recovered and taught me a few key lessons.

One of the lessons I learned was to focus on relatively safe and reliable blue-chip companies as anchors for a broad portfolio. A few no-brainer stocks in your basket could help you withstand the market turmoil and take risks with other bets more confidently.

With that in mind, here are the two blue-chip bank stocks that I believe are the ideal targets for a first-time stock picker.

Royal Bank of Canada

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is under pressure, along with the rest of the market. The stock dipped 6% year to date. In addition, the stock is down by about 16% from its 52-week highs of \$150 a share.

While RY stock has dropped significantly, it remains a top pick in the banking sector for any investor looking to generate reliable passive income. Canada's largest bank has increased dividends for the last nine consecutive years. Last year, it hiked its 2021 dividend by 11%.

A 3.80% dividend yield is relatively high considering returns on other investment opportunities are on a downward trajectory. In addition, Royal Bank of Canada remains well positioned to deliver further dividend hikes, as its core business receives a boost from interest rate hikes.

A high interest rate environment should lead to a significant increase in free cash flow that the bank can distribute to investors. With the dividend payout at 42%, there is a lot of room for significant rate hikes in the years to come.

The bank's net income was up by 6% in the first quarter to \$4.1 billion, leading to a 7% increase in

earnings per share. Royal Bank of Canada finished \$2021 with \$14 billion in cash. Conversely, it remains in a strategic position to enhance shareholder payout. It has also shown intentions of broadening its empire by spending \$2.6 billion to beef up its wealth management presence in the U.K.

After the 16% pullback from 52-week highs, RY stock looks attractive.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) has seen similar pressure. The stock has dropped 18% from 52-week highs.

Despite the deep pullback, Bank of Montreal is a solid pick in the banking sector, backed by a robust domestic arm that continues to churn positive results. Stellar performance in Canada has seen the bank generate significant free cash flow to bolster its dividend program and pursue expansion into international markets.

The acquisition of Bank of the West in the U.S. for \$16.3 billion is expected to give BMO access to several new markets. In addition, it is expected to strengthen the bank's customer base by an additional one million and put billions in deposits and loans on the books.

As the oldest dividend-paying bank in Canada, BMO exemplifies resilience. The stock's 4% dividend yield is slightly higher than other big banks. It's also trading at a price-to-earnings multiple of 10.

BMO looks undervalued given the solid underlying fundamentals characterized by an increase in interest rates in the U.S. and Canada. The 18% pullback from 52-week highs presents an opportunity to buy the stock on the cheap as a long-term investment play.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BMO (Bank Of Montreal)
4. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vraisinghani

Category

1. Bank Stocks
2. Investing

Date

2025/09/09

Date Created

2022/05/19

Author

vraisinghani

default watermark

default watermark