



Market Slump Got You Down? Buy Royal Bank Stock (TSX:RY) Now

Description

Market corrections can be stressful for investors, but they also provide opportunities to buy top [TSX](#) dividend stocks at discounted prices. Let's take a look at **Royal Bank** ([TSX:RY](#)) ([NYSE:RY](#)) to see why it might be a good stock to buy today for a [TFSA or RRSP](#) portfolio.

Royal Bank overview

Founded in 1864, Royal Bank has since grown to be a financial powerhouse serving 17 million clients worldwide.

Royal Bank is Canada's largest financial institution with a current market capitalization of \$175 billion. It is also a giant in the global banking sector, ranking among the top 10 global banks, and is among the five largest in North America, as of the [Q2 2022 earnings report](#).

Royal Bank has a diversified revenue stream coming from several segments, including personal banking, commercial banking, wealth management, capital markets, insurance, and investor and treasury services. Revenue is also diversified geographically, with 60% coming from Canada, 24% from the United States, and 16% from other international operations.

Earnings

Royal Bank is a profit machine. The bank generated \$16 billion in total net income in fiscal 2021 on total revenue of \$49.7 billion. Return on equity (ROE) was high at 18.6%.

Royal Bank is off to a strong start in 2022. Fiscal Q1 and Q2 net income came in at \$8.35 billion, up 6% compared to the first half of fiscal 2021. ROE remains strong at 17.9%.

Royal Bank finished fiscal Q2 with a Common Equity Tier 1 (CET1) capital ratio of 13.2%. This means the bank is sitting on a war chest of cash it can deploy to drive growth and reward shareholders. Royal Bank already announced a \$2.6 billion wealth management acquisition in the United Kingdom. The

company says the deal will grow the existing business in the region and make Royal Bank one of the top three wealth managers in Britain and Ireland.

Royal Bank is also buying back shares and paying investors higher dividends. The board of directors raised the dividend by 11% late last year and increased the payout by another 7% when Royal Bank reported fiscal Q2 results. This suggests the bank is comfortable with its revenue and profit outlook, despite the current economic headwinds caused by high inflation and rising interest rates.

Should you buy Royal Bank stock now?

Royal Bank looks [undervalued](#) today. The shares trade for \$124 at the time of writing compared to more than \$149 earlier this year. Investors are concerned that a potential recession in 2023 or 2024 will hit Royal Bank's revenue and earnings. A slowdown in economic activity is expected. Royal Bank's own analysts predict a mild and short recession next year. The pullback in the stock, however, appears overdone considering the bank's performance in the first half of the year and the continued strength in the jobs market.

Royal Bank has the funds to ride out a rough patch and can take advantage of the drop in valuations across the banking sector to make strategic acquisitions to drive future growth.

Additional downside could be on the way in the near term, but buy-and-hold investors might want to consider adding RY stock to their TFSA or RRSP portfolios today. The dividend provides a 4% yield at the current share price, so you get paid well to wait for the bank sector to rebound.

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