



## 2 TSX Bank Stocks Worth a Long-Term Bet Right Now

### Description

Canadian investors have been in selling mode of late. Broader markets are down, and everything from high-growth stocks to bank stocks are seeking a selloff.

Much of this selling pressure has come due to concerns about what may be an impending recession. As interest rates rise, valuations dip across the board. Additionally, the prospect of slower growth isn't great, even for bank stocks.

While lenders typically see net interest margins increase as rates rise, an inverted yield curve isn't that great right now. Thus, expectations may be muted for Canada's big banks.

That said, over the long term, these companies have shown their ability to provide massive total returns to investors (capital appreciation plus [dividends](#)). Here are my two top picks in this sector for investors seeking exposure, while these companies are relatively cheap.

### Top bank stocks: TD Bank

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and its subsidiaries are called TD Bank Group. TD Bank is North America's sixth-largest bank in terms of assets, serving over 27 million customers in three key businesses that operate in several financial centres globally.

Given TD's massive size and scale, particularly in the North American market, many investors may look to TD as a gauge of economic growth in this particular region. Indeed, TD has been upping its exposure to this market, recently agreeing to purchase New York investment bank Cowen Inc. for \$1.3 billion. This move aims to accelerate the U.S. growth trajectory of the Canadian company.

From an earnings perspective, this consolidation has been profitable for TD. The company announced its third-quarter (Q3) results recently, reporting earnings which came in at \$3.2 billion. While down around 9% year over year, adjusted earnings actually increased 5% to \$3.8 billion. At a valuation of roughly [\\$150 billion](#), TD is thus trading around 10 times annualized earnings.

That's not bad — particularly in this market.

## Royal Bank of Canada

As Canada's largest bank and one of the largest global banks in terms of market capitalization, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) has a diversified business model. This mega-cap lender focuses on innovation, driving growth across 29 markets, serving 17 million clients.

Recently, RBC and ICICI Bank Canada declared a collaboration to bring integrated banking solutions for newcomers who move to Canada. This arrangement will prove to be beneficial for such newcomers, offering them RBC's offerings, scale, and network in Canada and the trust of the ICICI Bank brand.

This financial institution has a business mix that's similar to **JP Morgan Chase**, with solid corporate and retail banking businesses. Also, the company has significant asset management and investment banking business.

Notably, the Royal Bank of Canada has had a consistent reinvesting policy for organic growth, paying a 4.2% dividend yield, while also repurchasing shares to an impressive degree. Accordingly, those seeking long-term dividend yield and capital-appreciation growth may want to consider RY stock.

### 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:RY (Royal Bank of Canada)
5. TSX:TD (The Toronto-Dominion Bank)

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