



4 Best Banking Stocks in Canada to Buy in November 2022

Description

Banking stocks have been doing well lately. Over the last two weeks, the **S&P/TSX Capped Financials** sub-index—the index of financials on the Toronto Stock Exchange—has risen 6.8%, compared to 6.7% for the overall **TSX Composite Index**. The out-performance hasn't been massive, but it has been noticeable.

Why are Canadian banks rising all of a sudden?

One of the main reasons is that we've seen good news from U.S. banks. The Canadian and U.S. financial systems are intertwined, and just a few weeks ago, U.S. banks exceeded expectations in their earnings releases. Most of them showed positive growth in revenue and interest income, and a few even had [positive earnings growth](#).

This year's economic contraction is adversely affecting banks, but they're already showing signs of recovery. Here are four [Canadian bank stocks](#) that could provide you with a little slice of that recovery in the year ahead.

TD Bank

The **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is Canada's second biggest bank by market value, and the largest by assets. It's well known for its prominent U.S. retail business, which offers savings and loans to U.S. consumers. This segment has been TD's main growth driver over the last decade.

It all started when TD bought out a number of U.S. banks on the cheap in 2009, at the bottom of the Great Financial Crisis. Because it bought these banks so cheap, TD watched its acquisitions grow dramatically in the ensuing 13 years. As a result, it outperformed the average TSX bank. This year, TD is working on buying another U.S. bank, **First Horizon National**, which will add US\$89 billion in assets to its books. TD raised its dividend by 13% for fiscal 2022, and investors can now pick up a 3.98% yield.

Royal Bank

The **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest and most resilient bank. It has been paying dividends consistently for over 100 years. The bank raised its dividend by 11% late last year and by another 7% when it announced fiscal Q2 2022 results. Like TD, it has operations across the [U.S.](#) It has a prominent wealth management business and is also involved in investment banking. RY's growth over the last decade hasn't been quite as strong as TD's, but it's easily the most proven and time-tested of Canadian financial institutions. It's even older than the Bank of Canada!

BMO

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is a Canadian bank that boasts strong growth and a sizable U.S. presence. Over the last five years, its revenue and earnings have grown even more than TD's, and it's working on acquiring the **Bank of the West**, a major California bank. If BMO closes the Bank of the West deal, it will gain over US\$100 billion in assets, and will establish a significant presence and brand recognition on the U.S. West Coast. Overall, it's a very interesting Canadian banking play that also offers an attractive 4.4% dividend yield.

Scotiabank

The **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is another geographically diversified Canadian bank. Much like TD and BMO, it has a significant presence in foreign markets, but Scotiabank's foreign presence isn't concentrated in the U.S. Instead, it's focused on Latin America and Asia. Both of these regions are forecast to experience more substantial economic growth than North America in the coming decade, and BNS stock exposes investors to a piece of the action. Overall, it's one of the better Canadian bank stocks out there with sizeable growth potential in diverse markets, and a safe and growing dividend that currently yields 6.17%.

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1. Bank Stocks
2. Investing

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