

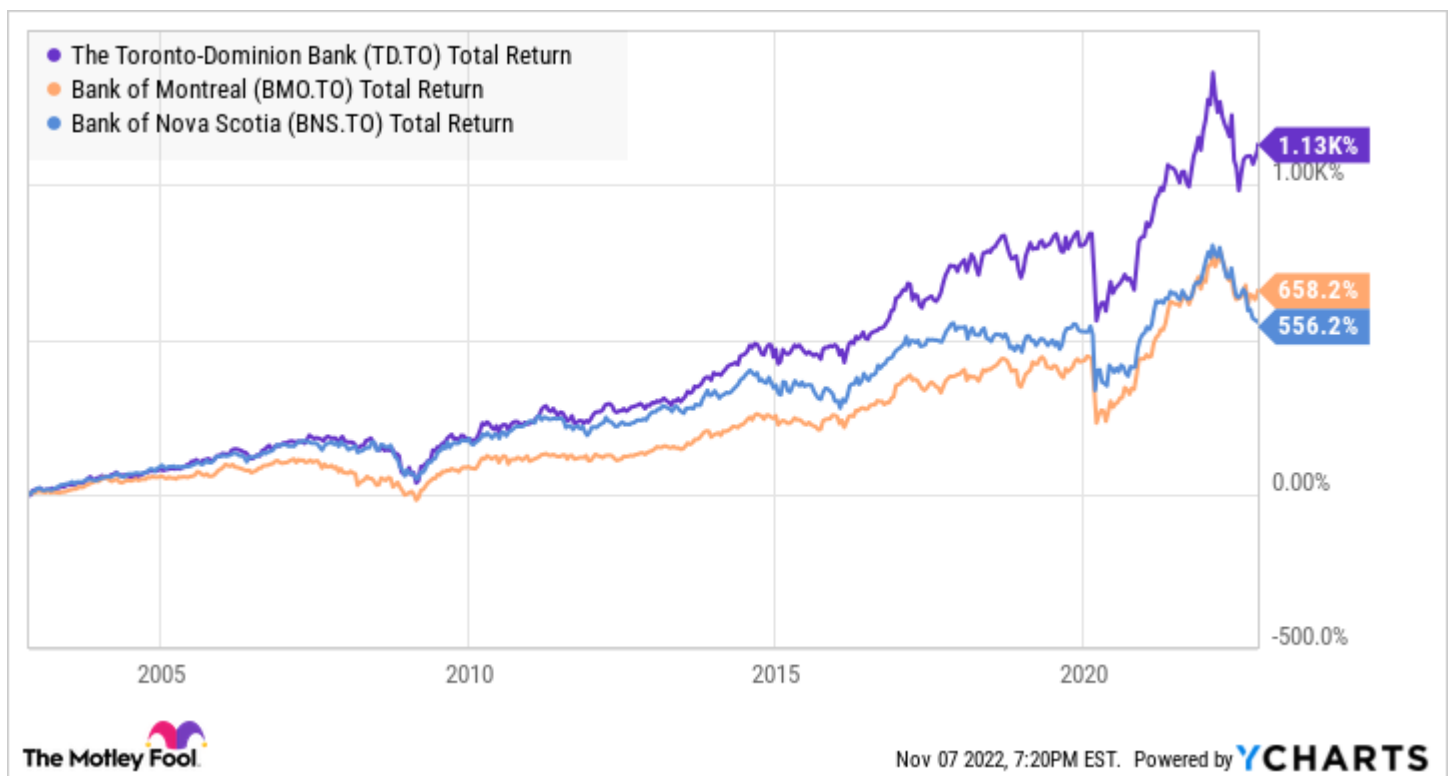


## Battle of the Bank Stocks: TD vs. BMO vs. BNS

### Description

Imagine that three [Canadian bank stocks](#), **Toronto Dominion Bank** ([TSX:TD](#)), **Bank of Montreal** ([TSX:BMO](#)), and **Bank of Nova Scotia** ([TSX:BNS](#)), battled to be in your investment portfolio. Which would win?

Depending on your investment objectives, your choice would be different. For example, do you prioritize total returns or current income? Would you choose quality over value? Is your portfolio large enough to hold one or two [bank stocks](#)? Some analysts pointed out that the bank stocks take turn outperforming. So, they'd buy the one that appears to be cheap.



TD, BMO, and BNS Total Return Level data by YCharts

Past returns could be indicative of future returns. What do the data tell us? As shown in the chart above, over the last 20 years, TD stock has been the best performer for total returns. In this period, the bank stock delivered total returns of about 13.4% per year versus 10.7% for BMO and 9.9% for BNS.

In other words, an initial \$10,000 investment turned into \$123,000, \$75,820, and \$65,620, respectively. It's a total-return difference of only 3.5% per year between TD and BNS, but the monetary difference is \$57,380 due to [compounding](#) over 20 years!

The 10-year chart below shows that BMO stock took the lead in total returns in the last decade, transforming \$10,000 into \$32,430 for annualized returns of 12.5% versus TD's 12.2% and BNS's 6.7%. An initial \$10,000 investment in TD and BNS turned into \$31,600 and \$19,130, respectively. It's a \$13,300 difference between BMO and BNS.

In the last three and five years, BMO continued to take the lead, with TD close behind.

## TD stock

Generally speaking, retail banking is viewed as lower risk than commercial banking. TD Bank has 90% of its earnings coming from retail banking in Canada and the United States.

The bank stock aims for an adjusted earnings-per-share (EPS) growth rate of 7-10%. Its five-year EPS growth rate is 10.2%. So, its target is reasonable.

At \$88.36 per share at writing, the quality bank with an S&P credit rating of AA- is fairly valued and yields 4%.

## BMO stock

In contrast to TD Bank, BMO has focused more on building its commercial banking business in Canada and the United States. So, adding it along with TD stock in a portfolio provides slightly different exposure, as BMO would have lower exposure to residential mortgage loans. That said, a recession hitting either economy would still negatively affect the banks, no matter if their focus is on retail or commercial banking.

BMO stock targets an adjusted EPS growth rate of 7-10%. This appears to be doable, as the bank has actually outperformed with an EPS growth rate of 11.5% in the past five years.

At \$127.78 per share at writing, the quality bank with an S&P credit rating of A+ is slightly undervalued by about 13% from its long-term normal valuation. At this level, it offers a decent yield of 4.4%.

## BNS stock

Bank of Nova Scotia is the best value of the group. In other words, the stock investing community sees it as the riskiest investment with its exposure to riskier, emerging economies, particularly the Pacific

Alliance countries — Mexico, Peru, Chile, and Colombia.



The stock has corrected more significantly than the others year to date. It trades at a discount of almost 30% from its long-term normal valuation. And its yield is pushed up to 6.2%, at \$66.22 per share. Consequently, if the global economic conditions improve, BNS stock could deliver the best returns over the next three to five years.

## The Foolish investor takeaway

TD and BMO stocks have proven to be resilient ideas for total returns. However, on a reversion of economic conditions, BNS stock could provide higher returns over the next three to five years. It is also the non-disputable bank for current income today with the biggest dividend yield. All three banks offer safe dividends that are supported by sustainable payout ratios.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BMO (Bank Of Montreal)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:TD (The Toronto-Dominion Bank)

### PARTNER-FEEDS

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

#### **PP NOTIFY USER**

1. kayng
2. kduncombe

#### **Category**

1. Bank Stocks
2. Investing

#### **Date**

2025/09/08

#### **Date Created**

2022/11/08

#### **Author**

kayng

default watermark

default watermark