



Yield-a-Plenty: Canada's 3 Best Bank Stocks For December

Description

If you're looking for high yield investments, banking is one industry you might want to consider searching in. The banking sector is known for having very high dividend yields, yet bank stocks aren't nearly as volatile ("risky") as stocks in other sectors. Energy, another high yield sector, sometimes performs better than banks, but it tends to be a bumpy ride due to the constant dramatic swings in oil prices. Bank stocks, by contrast, offer a smoother ride, and the long-term results can be just as good.

In this article, I will explore three Canadian bank stocks that offer "yield-a-plenty" for the income-seeking investor.

Royal Bank

The **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is Canada's biggest bank by market cap. It's set to [release earnings](#) later this week, and a lot is at stake. Canada's housing market has taken a beating this year, and some think that that will have an adverse effect on bank earnings. Royal Bank of Canada issues a lot of mortgages in the domestic market, so its earnings release will tell us whether the mortgage market is healthy or not.

Regardless of what happens, Royal Bank is a good stock. The bank earns enough money from foreign markets and non-mortgage Canadian operations that it can do well even if mortgage origination takes a hit. Apart from that, it has a 3.8% [dividend yield](#), which is above average; and a 50% payout ratio, which is not overly high. A stock's payout ratio is dividends divided by earnings; lower is generally considered better for this metric.

TD Bank

The **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is another Canadian bank with earnings coming up this week. TD makes a substantial amount of its money in the United States, so it has a decent chance at overcoming any weakness in Canadian mortgage lending. The U.S. housing market is slowing down, much like Canada's is, but unlike Canadian houses, U.S. houses are not yet coming

down in price. In fact, prices South of the Border are still rising!

Another interesting note on TD is that it has a major M&A deal in the works. It is working on acquiring **First Horizon**, a retail bank in the Southeastern United States. First Horizon does over \$1 billion a year in profit and has \$89 billion in assets. TD is spending \$13.4 billion to acquire it. This deal will add a good deal to TD's bottom line, so don't be surprised if we see a dividend hike or two after it closes.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is another Canadian bank with a big U.S. deal in the works. BMO is currently working to acquire Bank of the West, a subsidiary of **BNP Paribas**. Bank of the West has even more assets than First Horizon does, and it's located in California, one of America's biggest financial services markets.

BMO stock has the highest yield of all the stocks on this list, a whopping 4.21%. The bank also has pretty strong historical growth, growing its earnings by about 10% per year over the last five years. The Bank of Montreal is not quite the household name that TD and Royal Bank are, but it's a successful bank in its own right. Overall, it's a high yield stock that's definitely worth looking into.

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