Best Bank for Your Buck? 2 Top TSX Stocks to Buy Now

Description

Canadian bank stocks are in a strange spot right now. They're coming back from a bear market move over recession fears and a potential slowdown in loan growth. Indeed, the banks can be a choppy ride, even for the long-term investors who plan to stick it out year after year, collecting the dividend payments as they come due.

Through the past few years, it's been quite a ride for the share prices of the top Canadian banks. Still, their dividends have come through. And if you scooped them up while they suffered steep plunges, you walked away having "locked in" a dividend yield that's considerably higher than that of historical averages.

Canadian bank stocks: Top TSX stock picks for investors seeking dividends

Indeed, it's tough to tell how the big bank stocks will fare going into 2023. The banks are economically sensitive, and they have been known to shed around 40-50% of their value during rough recessions. In the 2020 stock market crash, many bank stocks imploded, only to bounce back very quickly. If you acted in the very tiny window to pick them up at huge bargains, you scored a swollen (and safe) dividend that's slated to keep on growing through the years.

Simply put, bank stocks can be tough buys when things go south. However, they're worth the pain of hitting the buy button if you're looking for stable and bountiful income that can last you a lifetime. Bank stocks are terrible trades, but they're among the best dividend stocks to hold at the core of your TFSA or RRSP for the extremely long run. Perhaps bank stocks may not be the best plays to hold forever. But they are great if you seek the perfect mix of income and long-term capital appreciation.

Right now, the banks are trading at enticing discounts. **Bank of Montreal** (TSX:BMO) and **CIBC** (TSX:CM) look like the cheapest of the batch!

Bank of Montreal

Bank of Montreal stock has been facing the same pressures as its peers. At 7.8 times trailing price-to-earnings (P/E), I view the name as one of the best pick-ups from this broader bank stock drop. With a growing presence in U.S. banking, the Bix Six Bank has strong growth prospects ahead.

Indeed, top Canadian banks need to tap into the U.S. (or international) market for next-level growth. With a below-average book of Canadian mortgages, I view BMO as a less-risky play for investors who fear a Canadian housing market implosion as a result of rising interest rates. Despite having less exposure to the domestic housing market, BMO is still at risk of seeing loan growth tank in a recession. Fortunately, I think most of such pressure is baked into shares right now.

Further, this North American bank has really made major strides with its passive-investing line-up. Recently, BMO brought on Cathie Wood's ARK line of funds to its roster. With innovation stocks down and out, I think BMO is smart to bring on Wood and her still-popular line of funds.

CIBC

CIBC is another enticing bank stock that's on my radar after its slip. The stock trades at 9.2 times trailing P/E, with a swollen 5.2% dividend yield.

Indeed, CIBC has a fair amount of domestic mortgages on its book that could face pressure next year. However, the Big Sixer isn't the same at-risk bank it was before the 2008 market crash. The bank has new managers in place and is likelier to fall on its feet once the 2023 recession works its course.

For that reason, I think CIBC stock is too cheap, as a result of too much negative sentiment weighing it down.

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joefrenette