



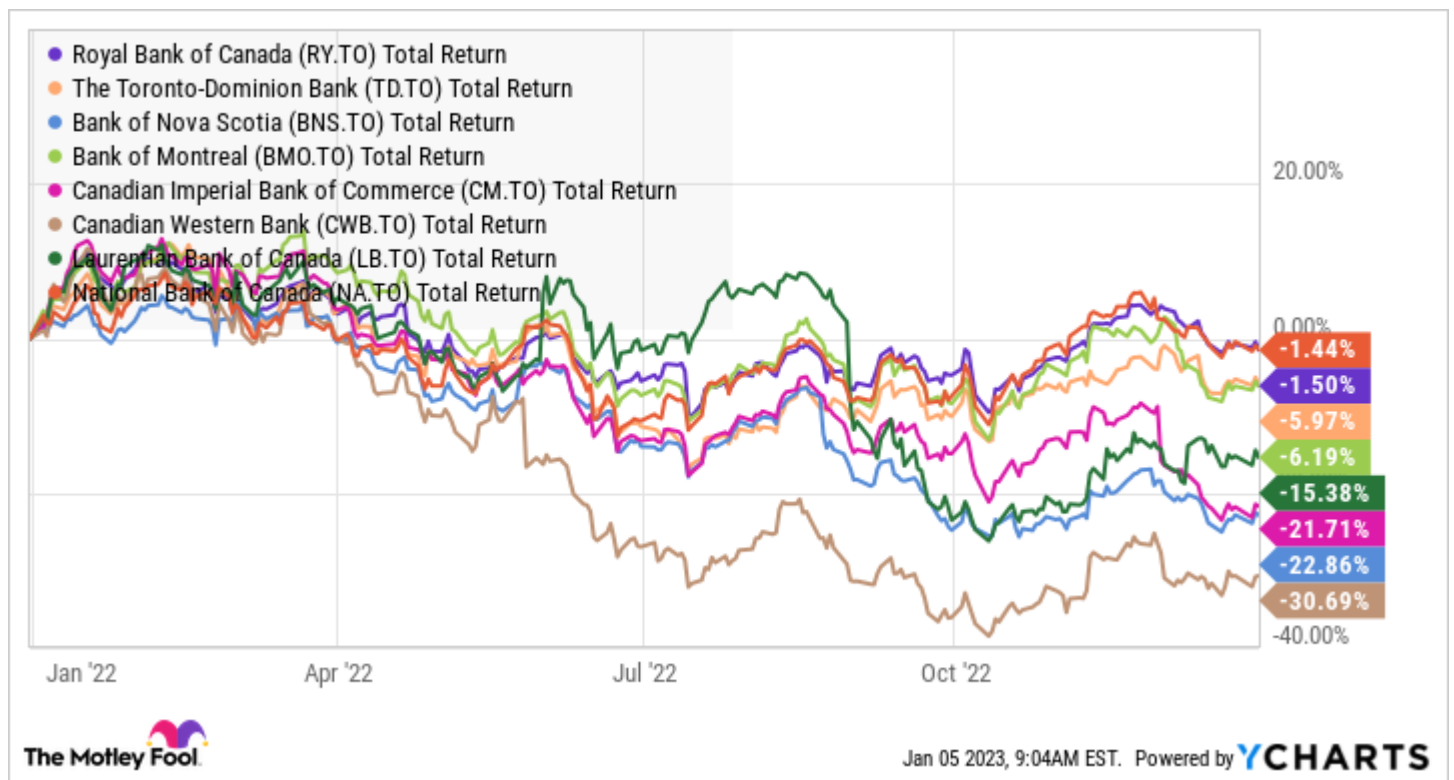
The Best-Returning Canadian Bank Stocks in 2022

Description

The results are in! The start of 2023 is a great time to review the best-returning Canadian bank stocks in 2022 and project the best bank stocks to buy today for different reasons.

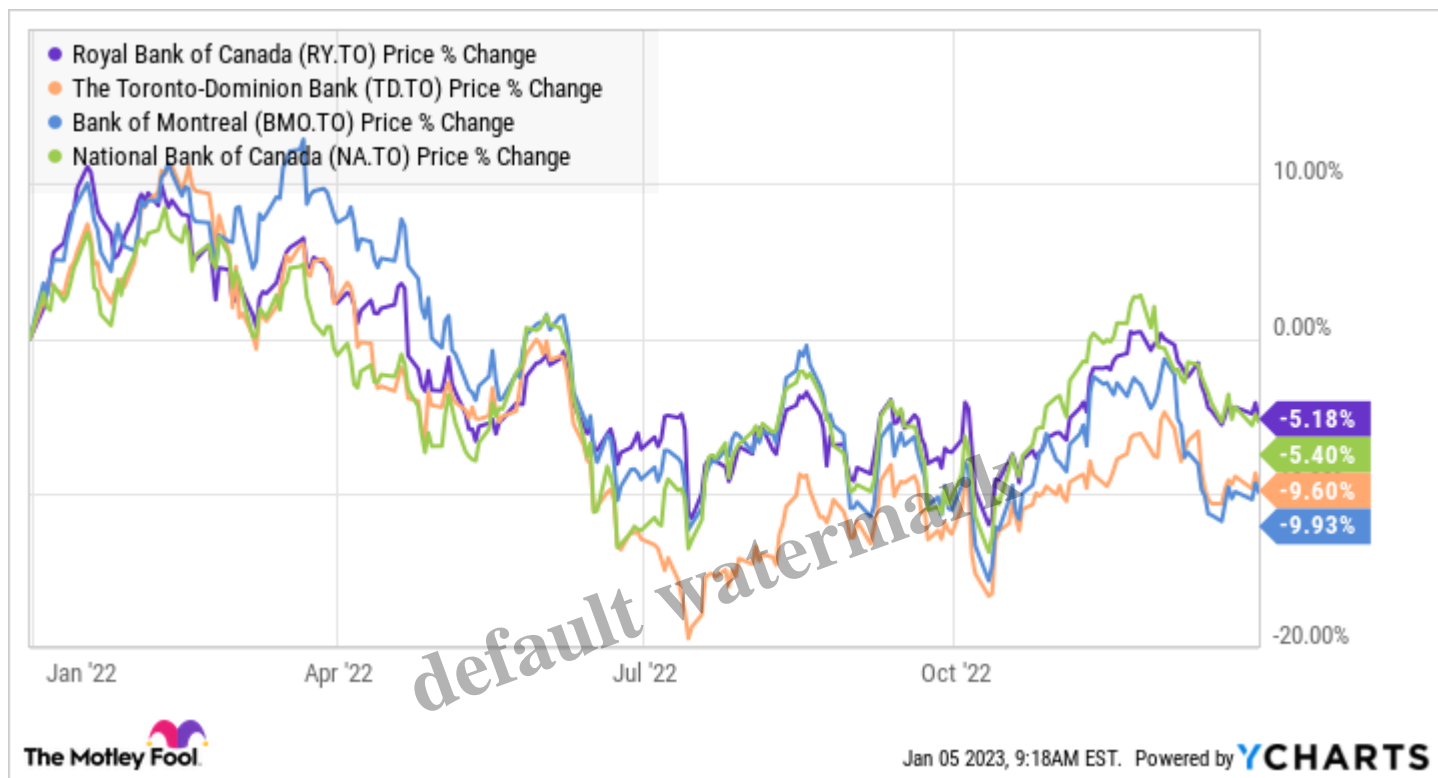
2022's best-returning Canadian bank stocks

The graph below displays the 2022 total returns of eight Canadian bank stocks, including the Big Six [Canadian bank stocks](#). The sixth-largest Canadian bank stock by market capitalization — **National Bank of Canada (TSX:NA)** stock — won by a nose versus the largest — **Royal Bank of Canada (TSX:RY)** stock. Over the course of the year, both stock returns were super resilient versus the industry. Their resiliency largely had to do with their stock price resiliency. Certainly, dividends played a role as well.



Eight Canadian bank stocks' Total Return Level data by YCharts

Toronto-Dominion Bank ([TSX:TD](#)) and **Bank of Montreal** ([TSX:BMO](#)) stocks weren't far behind as runner-ups. Singling out the price action of these four names further highlights the boost their dividends provided to their total returns. As well, you can also observe the kind of volatility stock investors experienced in the top bank stocks. Investors in the underperforming bank stocks had to endure worst.



As these banks are value stocks and tend to increase their earnings stably over time, investors should aim to buy them opportunistically when they are [undervalued](#).

The best Canadian bank stocks to buy in 2023

Many economists believe the Canadian and U.S. economies will enter a recession (though a mild one) this year. Besides, investors shouldn't be overly pessimistic, because the central banks would be able to cut interest rates to help stimulate economic growth when the time comes.

Risk-averse investors should stick with the top names of National Bank, RBC, TD, and BMO and potentially add on dips. Presently, their dividend yields range from 4.1% to 4.6%.

Within the group, analysts believe BMO stock offers the best value and growth potential over the next couple of years. The further out the earnings projections, the more inaccurate they'll be. The consensus is that the bank stock is discounted by about 12% based on the 12-month price target and could increase its earnings per share by roughly 11% over the next two years.

At \$125.23 per share at writing, BMO stock trades at about 9.5 times earnings and offers a safe

dividend yield of just under 4.6%. Its 2023 payout ratio is projected to be sustainable at about 43% of earnings.

Applying the Dogs of the Dow strategy

Canadians who need current income might apply the Dogs of the Dow strategy by buying the highest-yielding bank stocks, which would be **Bank of Nova Scotia** ([TSX:BNS](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#)).

The idea is that they have sold off harder and therefore offer bigger passive income and could potentially outperform the others over the next year. At writing, they offer yields of 6.2% and 6.1%, respectively, with estimated 2023 payout ratios of roughly 50% of earnings.

BNS stock trades at a slightly bigger discount of 15% versus CIBC's discount of 14% from their 12-month analyst consensus price targets. Investors with longer term horizons (say two to three years), can target stock prices north of \$90 and \$70, respectively, for BNS and CIBC, which represent upside potential of about 40% and 29%.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BMO (Bank Of Montreal)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:NA (National Bank of Canada)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/08/12

Date Created

2023/01/06

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