



## Royal Bank Stock: How High Could it Go in 2023?

### Description

Shares of **Royal Bank of Canada** ([TSX:RY](#)) have started 2023 with optimism, as they have risen 8.5% on a year-to-date basis to trade at \$138.12 per share after witnessing 5.2% value erosion last year. By comparison, the **TSX Composite Index** has recovered by 6.4% this year so far. Before discussing whether RY stock could keep soaring in 2023 and beyond, let's take a closer look at some key [fundamental](#) factors that have been driving it lately.

### Why Royal Bank stock fell 5.2% in 2022

Last year, the broader market trended lower, as fears that consistently high inflation and rapidly rising interest rates could hurt the economy kept investors on their toes. These fears primarily triggered a massive selloff in high-growth stocks, which eventually drove the TSX Composite benchmark down by 8.7% in 2022. This broader market weakness also affected the shares of large banks in Canada, including Royal Bank stock.

It's also important to note that while rapidly rising interest rates helped Royal Bank increase its net interest income in recent quarters, its revenue growth in insurance and capital market segments [suffered](#) mainly due to unstable economic conditions. That's why fears that a gloomy economic outlook could continue to hurt its financial growth in the coming years as well acted as another reason for pulling RY stock downward last year.

### How high could RY stock go in 2023?

As investors continue to assess the possibility of a looming recession, most Canadian banking stocks have staged a healthy recovery in 2023. This is one of the key reasons why RY stock has now reached its highest level since April 2022.

Despite the disappointing performance of its capital markets and insurance segments in the last few quarters, Royal Bank continues to be one of the most attractive [bank stocks](#) to own in Canada for the long term. In its fiscal year 2022 (ended in October), the largest Canadian bank's adjusted net profit

margin stood solid at 32.1% without showcasing any weakness. In addition, its earnings from its wealth management segment continued to grow with the help of strong volume growth in loans and deposits. Moreover, the continued strength of Royal Bank's balance sheet and its robust cash flows give it the ability to sustain through tough economic times.

It would be incorrect to say that all macroeconomic worries that haunted investors last year have suddenly disappeared in 2023. But many economists, after recent signs of easing inflationary pressures, are now predicting that the upcoming economic downturn might not be as severe as earlier expected. In my opinion, this improving short-term economic outlook could help fundamentally bank stocks like RY stock to keep soaring this year.

At the current market price, RY stock also offers an attractive 3.8% annual dividend yield and distributes its dividends payouts every quarter. Notably, its dividends per share jumped by 43% in five years between fiscal 2017 and fiscal 2022. So, besides the expected appreciation in its share prices, Royal Bank's reliable dividends and strong dividend growth make it one of the best passive-income stocks to own in Canada.

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## Date

2025/06/27

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**Date Created**

2023/02/07

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