



The 3 Canadian Bank Stocks Worthy of Your TFSA

Description

Canadian bank stocks are great additions to any long-term-focused [TFSA](#) (Tax-Free Savings Account). While there hasn't been much in the way of capital gains over the past five years, the magnitude of dividend growth has been respectable.

Although bank stocks tend to feel the full force of those inevitable market plunges, it's worth noting that over a longer-term timespan, such bumps in the road tend to be smoothed out. Even the worst plunges in the past (think the Great Financial Crisis) weren't able to keep the top Canadian bank stocks down for too long a duration.

Without further ado, let's have a look at three Canadian bank stocks that are finally worth a second look after they slipped a bit in the back half of last year. Consider **TD Bank** ([TSX:TD](#)), **Scotiabank** ([TSX:BNS](#)), and **Bank of Montreal** ([TSX:BMO](#)), three bank stocks I view as the top three of the Big Six at this juncture.

TD Bank

Sailing into a recession is never easy, as provisions for credit losses (PCLs) and other issues take a toll on bank earnings. TD has been through its fair share of economic downturns, rising out of the gutter every time, and with its dividend in one piece.

Undoubtedly, it's hard to gauge just how bad a coming recession can get. January's market bounce seemed to suggest the recession will be milder in nature. Mild, medium, or hot, though, I believe TD Bank stock is a great pick-up, while TFSA investors fret the top- and bottom-line pressures to come.

Amid the turbulence, TD made good use of its dry powder, acquiring First Horizons Bank, and, more recently, Cowen, at prices that were quite reasonable!

Indeed, TD was in a spot to make a deal for a few years now. Arguably, the bank could come out of this period of volatility on stronger footing, thanks to prudent moves at a time when valuations are pretty compelling.

TD stock trades at 9.8 times trailing price to earnings (P/E), with a 4.14% dividend yield. That's too cheap for such a proven bank.

Scotiabank

Scotiabank is a riskier bank stock, but one with greater potential rewards. Not only is Scotiabank a "cheap" name after losing more than 30% of its value from peak to trough, but it also provides TFSA investors with a way to geographically diversify their portfolios into emerging markets that can help jolt longer-term returns potential.

Investing internationally comes with its own slate of risks. Fortunately, I'm a big believer in Scotiabank's managers. They can mitigate such risks far better than many expect. For that reason, I'd strongly encourage new investors to check out BNS stock at these depths if they seek domestic and international exposure in one package.

At 9.16 times trailing P/E, with a 5.6% yield, BNS stock is one of the cheaper and more bountiful plays of the Big Six Canadian bank stocks right now.

Bank of Montreal

Bank of Montreal is the cheapest name on the list from a trailing P/E perspective. At writing, shares go for 6.7 times trailing P/E. The stock's down just north of 11% from its all-time high, so the low P/E isn't just the result of excessive selling.

BMO's earnings have held up quite well. Though recession headwinds could weigh on growth through 2023, I continue to view BMO more favourably than its peers. Like TD, BMO has a U.S. acquisition (Bank of the West) that will keep it busy and help propel growth on the other side of a downturn.

Finally, I like management a lot. BMO may not be a behemoth in the banking scene, but it certainly seems to be going for growth. That alone should have the attention of long-term TFSA investors.

Which bank stock is most fit for a TFSA?

I'd buy all three, but if I had to choose one, it'd have to be BMO. The stock is [cheap](#), and I think most undervalue the firm's U.S. expansion.

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. joefrenette
2. kduncombe

Category

1. Bank Stocks
2. Investing

Date

2025/06/27

Date Created

2023/02/19

Author

joefrenette

default watermark

default watermark