3 Top Canadian Bank Stocks to Buy in June

Description

It was a mixed end of the month for Canadian bank stocks. Profits were down steeply for the quarter compared with last year's performance during the same quarter. Loan-loss provisions were high, signifying a rocky outlook for the rest of the year. But the overall consensus was that the situation could have been worse. Here are three of the best Big Five banks worthy of your investment today.

Bank stocks are an all-weather play for income

If a drawn out, L-shaped recession emerges, investors might expect to see some kind of federal intervention to save key banks. While there is no indication of this possibility at present, investors should rest a little easier knowing that names like **TD Bank** are always going to be stoutly defended. TD Bank's strong presence in the United States puts it on solid footing on both sides of the border.

TD Bank is arguably the most important Canadian bank on the world stage and essential to the domestic economy. Diversification is key when it comes to the current market, and this name delivers. While TD Bank, for instance, could be considered a pure play on financials, its strong presence on either side of the U.S. border brings diversification across North American markets.

A strong sector for rich yields and growth potential

Another top Big Five buy, **Scotiabank** is strongly tied to the domestic housing market, which could mean good things in the event of a recovery. There's a potential thesis for a post-pandemic exodus of cooped-up Canadians into a rebooted housing market. Banks could be well positioned to capitalize on a housing rally. Scotiabank also packs growth potential in Latin American markets via its presence in Pacific Alliance countries.

While it's not the time to be chasing yields, **CIBC's** juicy distribution looks safe for the time being. It's also the richest dividend of the Big Five. Furthermore, CIBC is arguably the Big Five bank most focused on Canada, making it the right choice for any investor seeking a pure play on the domestic economy. Indeed, CIBC could be a reassuring long-term pick for TSX investors eyeing risk from political and economic unrest beyond Canada’s borders.

Investors were unfazed by last week’s news that the Big Five had seen huge year-on-year drops in profit. Part of the reason for this bullishness may be two-fold. First, a run of bad quarters was already baked into the market. Second, making provisions for bad loans, while confirming a dire outlook for the rest of 2020, strengthens the Big Five banks to the tune of $11 billion collectively.

This loss provisioning helps to make Canadian banks better long-term investments. It should also be noted that the Big Five banks were far from unprofitable during their most recent quarter. Altogether, the nation’s five largest moneylenders have raked in $5 billion since February. It’s notable that none of the Big Five reduced their dividends last week. This should help to reassure passive-income investors of the longevity of their investments.

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