



Bank Stocks Are Soaring: Here's Which Bank You Should Be Buying Today

Description

November was a strong month for not just bank stocks, but also for the entire market. After the **S&P/TSX Composite Index** dropped 5% through October, the index rebounded with a gain of about 10% in November.

Positive news regarding potential COVID-19 vaccines has been the main catalyst driving the strong growth over the past month.

Earlier this year, the pandemic caused a massive market crash that bottomed out at the end of March. Since that last week of March, we've seen many companies and entire industries go on incredible bull runs. Bank stocks, on the other hand, did not rebound as well.

What's happened to bank stocks this year?

From April to October of this year, Canadian bank stocks have not had a particularly strong showing. That changed in November. Investors saw Canadian bank stocks run up 15% and more throughout November.

It's worth noting that a major reason why the bank stocks were hit hard earlier this year was due to lowered interest rates. Rates were lowered to stimulate the Canadian economy which was being dramatically impacted by the spreading of a global pandemic.

Interest rates are still far from where they were prior to the COVID-19 outbreak. It may even be years before they return to those levels. The recovery of bank stocks may be slow, but for [long-term Foolish investors](#), now is the time to load up on shares of a major Canadian bank.

I've covered two [top Canadian bank stocks](#) and identified which of the two is at the top of my watch list right now.

Royal Bank of Canada

Valued at a market cap of more than \$150 billion, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest bank.

After an impressive month in November gaining 15%, Canada's largest bank is actually up almost 5% on the year. It's been one of the stronger Canadian bank stocks throughout 2020.

Not only has it been one of the top bank stocks this year, but it's also been one of the most reliable companies for Canadians to have owned over the past decade. The bank stock has just about tripled the returns of the Canadian stock market over the past 10 years. That's not even including dividends, either.

Of the Big Five banks, Royal Bank of Canada owns the lowest-yielding dividend. At today's stock price, the \$4.32 annual dividend is good enough for a yield of about 4%. It might be the lowest among the major Canadian banks, but 4% is still far above what most dividend-paying companies provide today.

Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank.

The \$125 billion bank also enjoyed a very strong month of November but trails Royal Bank of Canada since the beginning of the year. TD Bank grew close to 20% in November alone, but the bank stock is still down a couple of percent since the beginning of the year.

Over the past 10 years, TD Bank has put up very similar growth to that of Royal Bank of Canada. TD Bank is up close to 100%, about triple the amount of growth that the Canadian stock market has returned to shareholders. Again, that's not even including dividends.

At an annual payout of \$3.16 per share, TD Bank's dividend tops Royal Bank of Canada's with a yield of 4.5%.

Which bank stock am I adding to my watch list?

Both banks own impressive track records of market-beating growth and a dividend yield that tops most you'll find on the Canadian market.

What separates the two banks for me is the geographic exposure. TD Bank has a very strong presence in the U.S. with still plenty of growing to do. The bank's locations are primarily on the east coast, leaving lots of growth for the western half of the country.

It's not only the growth that makes me bullish, however. The large U.S. presence provides an investment portfolio exposure to the U.S. economy, which has grown at an incredible rate over the past decade.

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1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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