



2 Top Bank Stocks Millennials Should Be Buying Today

Description

It hasn't been the easiest of years to endure for Canadian investors. Aside from a couple of tech companies hitting all-time highs amidst the COVID-19 pandemic, the majority of industries have seen performance significantly drop this year.

The Canadian market had a very strong year last year, as the **S&P/TSX Composite Index** grew by more than 15%. This year, the same index is down about 10% year to date. I'll also add that at one point, the market was down by 35% this year.

How have bank stocks fared?

Banks stocks have not performed particularly well this year. Each of the Big Six banks are trading to similar levels, or worse, to the broader Canadian market. Although the major Canadian banks have gone on an impressive run since a March 23 low, tech stocks have received the majority of investor attention during this market surge that we've witnessed over the past three and a half months.

With that in mind, there are definitely a couple of reasons why I believe bank stocks are a great buy today for the long-term investor. For millennials or any other investor with at least a 10-year horizon, I've reviewed two top Canadian banks and highlighted why I think each is a buy today.

Toronto-Dominion Bank

Canada's second-largest bank, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), is valued at a \$110 billion market cap. The bank predominantly provides personal and commercial banking in both the U.S. and Canada. TD now operates more than 1,000 branches spread across North America.

The U.S. exposure is one of the biggest growth components for the future of the bank. Still very early in its U.S. expansion, TD is already ranked as a [top 10 bank in the U.S.](#), based on total asset size. Today, the majority of TD's U.S. locations can be found on the east coast, leaving plenty of growth still ahead for the bank on the west coast.

Year to date, TD's stock price is down by more than 15%, which is worse off than the broader Canadian market. As a result, the valuation of the bank is very attractive today. The bank is now trading at a forward price-to-earnings ratio of 10.6.

Bank of Montreal

At a market cap of \$45 billion, **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is the fourth-largest bank in Canada. BMO specializes in providing personal and commercial banking, in addition to wealth management.

Performance year to date has been worse than TD, as BMO is down more than 25% this year. As a result, BMO's valuation is looking even cheaper than TD's. Forward price-to-earnings is at 8.9 today, but it's the price-to-book ratio that [emphasizes how low the valuation really is](#). The price-to-book ratio sits below 1 today, in comparison to 1.25 for TD.

BMO boasts a very impressive dividend, paying an annual payout of \$4.24 per share. At today's reduced share price, that payout is equal to a yield of 5.9%.

The bank also owns an extremely impressive dividend streak. For more than 180 years now, BMO has been paying out dividends to shareholders. While the dividend growth may be slowed during economic downturns, investors can be fairly confident that they will still receive a dividend no matter how bad it gets in the market.

Foolish takeaway

Bank stocks may not seem like the most appealing buy today, but there are a couple of reasons why I believe long-term investors should consider picking up shares at these discounted prices.

The low valuation and reliable dividends are two main reasons why I like Canadian banks today. In the short term, they may trail the market, but if you're willing to hold for the long-term, I believe you'll benefit from market-beating returns.

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