



Why Toronto-Dominion Bank and First Quantum Minerals Ltd. Win as Oil Plummets

Description

With all the doom and gloom surrounding global energy companies, you should remember one very important thing: low oil prices are actually a good thing for most people, especially in North America.

Let's take a look at Canada first. Oil's decline is certainly bad news for Alberta – no one can deny that. But Alberta accounts for only about 10% of Canada's population. And for the rest of Canada, low oil prices are welcome news.

Consider Ontario, a province that has struggled in recent years. Because the province has practically no oil production, low oil prices simply mean low gas prices for the province's drivers. Even better, low oil prices also lead to a weak Canadian dollar, boosting the province's manufacturing sector. The story is similar in Quebec, as well as numerous other provinces.

Over in the United States, oil production is on the rise (hence why oil prices have depreciated). So there are some losers from the price collapse. But those hurt are really just a select few, concentrated in states like Alaska, North Dakota, and Texas. For most Americans, especially those without massive bank accounts, low oil prices translate into welcome relief at the gas station. The story is fairly similar in places like China and Europe.

So with that in mind, which companies stand to benefit the most? Below we take a look at two.

1. Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX: TD](#))([NYSE: TD](#)) likely benefits more than any other big Canadian bank, for a few reasons.

First of all, its loan book has very low exposure to energy companies. Secondly, TD more of a retail bank, rather than a commercial bank. This means most of its customers are saving money at the pump. Finally, TD's geographic footprint is angled towards regions that are loving oil's slide.

To illustrate, in Canada over half of loans are in Ontario. And TD's expansive business in the United

States is all on the East Coast. As mentioned, these regions should see a nice boost to their economies from oil's slide. TD can only benefit from that.

2. First Quantum

Copper has often been referred to as "Dr. Copper", because the metal has traditionally helped us gauge the health of the world economy. Recently, copper prices have been slumping, due to slowing growth in China and Europe, as well as increased supply. But with oil prices falling, that should give a boost to those two economies especially. So the copper price could easily see a nice rebound.

And the best way to make that bet is with **First Quantum Minerals Ltd.** ([TSX: FM](#)), one of the world's largest copper producers. The company also has a fantastic track record of keeping costs under control and spending money wisely. So if copper prices do recover, you can count on the company to take full advantage.

First Quantum benefits another way. Lower oil prices mean lower fuel costs, and this can make a big difference to a miner. In fact, fuel has been estimated to make up 25% of a miner's operating costs. So First Quantum could get another nice boost to its bottom line.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:TD (The Toronto-Dominion Bank)

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