3 Reasons Why Now Is the Time to Buy Toronto-Dominion Bank

Description

The past few weeks have not been very pleasant ones for shareholders of **Toronto-Dominion Bank** (TSX: TD)(NYSE: TD). Since late November, the shares are down roughly 8%.

But with the end of the year approaching, now might be the perfect time to buy TD stock. Below we highlight three reasons why.

1. Not oily

On the Business News Network Wednesday, well-known bank analyst Rob Sedran gave his view on how "oily" the Canadian banks are.

His answer was "not very much". Even in the absolute worst-case scenario for the energy sector, the banks' earnings would decline by roughly 3-4%. At the end of the day, these banks just don't loan that much to energy companies. And the banks have protected themselves in other ways. For example, their Capital Markets businesses have become much more risk-averse since the financial crisis.

Better yet, Mr. Sedran said that TD was the least exposed. And this makes perfect sense. The bank is exposed geographically to Ontario and the United States. It focuses on the everyday retail consumer, rather than big corporations. And only 2% of corporate loans are made to the energy sector, according to its 2013 annual report. There's little to worry about.

Furthermore, low oil prices could even provide a boost in other areas. For example, people in Ontario are enjoying low gas prices and a low Canadian dollar. And (as discussed below), TD's U.S. business is only helped by oil's slide.

2. More upside in the United States

Few people realize that TD actually has more branches in the United States than it does in Canada. And in the U.S., TD is likely a lot more optimistic too.

Granted, profitability is hard to come by in the United States, where the banking industry is much more competitive than in Canada. But the environment is slowly getting better, thanks to an improving economy. Better yet, interest rates may finally start to climb in the months ahead, which will help the bank earn more money from making loans.

Finally, TD's customers are already benefiting from reduced gas prices. Remember, the bank has no exposure to states like Texas or North Dakota. So the crash in oil prices is nothing but good news for TD in the USA.

3. More reasonably priced

Throughout the year, TD was easily the most expensive bank, trading at or above 14 times earnings. But the multiple has dropped with its share price, and the bank now trades at a much more reasonable 12.7 times earnings. And it's not the most expensive of the big five banks anymore. **Royal Bank of Canada** now holds that honour.

So it's quite odd that TD's shares have declined so much, just because people are afraid of lower oil prices. It's created an opportunity for the rest of us.

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