The Stock Picker's Guide to Toronto-Dominion Bank for 2015

Description

The year 2014 was very up-and-down for **Toronto-Dominion Bank** (TSX: TD)(NYSE: TD). It certainly started out very well – as of mid-August, the shares were up nearly 16% on the year. Record earnings numbers, as well as a strong Canadian banking environment, contributed to the strong returns.

But recently, the mood has been more sour. Fourth quarter profit came in below expectations, the CEO said that 2015 would be challenging, and many are worried about the effect of low oil prices. As of this writing, the shares are still up more than 10% on the year, but that's only good enough for fourth place among the big five banks.

So what does 2015 hold for TD and its shareholders? Below we take a look.

Oil prices: not such a negative

A lot has been made about the low oil price, and what it means for the Canadian economy.

But from TD's perspective, the low oil prices are likely a positive. In Canada, TD is heavily concentrated in Ontario, where low oil prices are a godsend. Motorists are enjoying cheaper gas. Heavy industries are benefiting from lower input costs. And exporters are getting a boost from the low Canadian dollar.

Furthermore, TD is less exposed to energy companies than any other big Canadian bank – only about 2% of commercial loans are directed towards the sector.

More positives from the United States

TD is more exposed to the United States than any other Canadian bank. In fact, the company has more branches in the U.S. than it does in Canada. And this should be a big positive in 2015 for a couple of reasons.

First of all, the U.S. economy is firing on all cylinders. Economic growth is strong, especially for a rich nation, and the unemployment rate continues to fall. This should result for more demand in loans, providing a nice boost to TD. The low oil prices only help, as motorists will benefit from some extra cash in their pockets. Remember, TD is entirely concentrated in the Eastern states, and has no exposure in oil-producing states like Texas and North Dakota.

And if economic growth remains strong enough, then the Federal Reserve will raise rates next year. By how much is anyone's guess, but that would allow TD to earn higher margins on its loans.

Generally low risk

There are other reasons to own TD. For one, the bank has a fantastic track record, having performed very well in each of the last 12 years. Its Canadian banking franchise has become a market leader in numerous categories, and continues to rank first for customer satisfaction.

TD is also more heavily concentrated towards retail banking than its big five peers – this makes the company's earnings relatively smooth.

And since 1970, TD has raised its dividend 60 times without cutting the payout once. That's a track record worth betting on.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

Category

1. Bank Stocks
2. Investing

Date
2025/07/22
Date Created
2014/12/30
Author
bensinclair