Why You Should Buy Toronto-Dominion Bank Shares for $52 Today

Description

On Thursday, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) reported very strong numbers for the third quarter of 2015. Earnings per share increased by 7%, mainly due to strong performance in the Canadian retail and wholesale divisions. This was all the more impressive given the headwinds Canadian banks are facing these days.

So, how exactly is TD beating the odds?

A continued service focus

In August, TD Canada Trust was recognized by J.D. Power for attaining the “highest in customer satisfaction among the Big Five retail banks.” For most banks, this would be a significant achievement. But this was TD’s *10th* straight year winning the award. This is a big advantage for TD and allows the bank to steal market share. It’s also the kind of advantage that tends to persist for a long time, as TD has shown. I would expect the retail bank to keep posting solid numbers, just as it did last quarter.

Concentrated in the right places

Much has been made of the Canadian economy, which is likely in recession, and the effect it will have on the banks. But TD is more insulated from these issues than its rivals are mainly because of where the bank is concentrated.

Here in Canada, TD is heavily concentrated in Ontario, which stands to benefit handsomely in this economic environment. The province has practically no oil production, and its manufacturers are enjoying a low Canadian dollar. This makes it easier for everyone to repay their TD loans and even gives people the incentive to borrow more.

Down in the United States, TD is heavily concentrated on the East Coast, and the story is very similar there. The region effectively has zero oil production, and the economy is clipping along at a healthy pace.

Eventually, low oil prices will drag down the price of gasoline, which will be even better for the region.

So, once again, TD has little to worry about.

Why you should buy TD shares

TD clearly has a very strong franchise, one that is relatively immune to the current economic troubles. Yet its share price has not done particularly well recently and is down about 7% in the last three months alone. As a result, the bank trades for well under 13 times earnings. It's quite difficult to find such a strong company trading for such a cheap price in any industry.

Investors are understandably nervous about the Canadian economy. But at this share price, there is more upside in TD's shares than there is risk. The company remains a great stock to have as a staple in your portfolio.

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1. Bank Stocks
2. Investing

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Date
2025/07/22
Date Created
2015/08/27
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