Ignore the Brexit and Buy Toronto-Dominion Bank for Solid Long-term Growth Prospects

Description

Despite the concerns that the Brexit has triggered regarding the outlook for the global economy and the recent sell-off of stocks, Canadian banks remain attractive investments. One that stands out for all of the right reasons is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD).

Not only is it Canada's largest bank by assets, but it has established an impressive franchise south of the border, where it is now the 10th-largest bank, and it is this presence that endows it with some impressive growth prospects that make it an ideal long-term investment.

Now what?

The U.S. is fast shaping up as an important market for Canada's major banks. This is because of a variety of reasons with the most important being the considerable growth opportunities that it offers.

You see, the U.S. financial system is still growing, and this–along with the sheer size of its financial services market–means that there are considerable opportunities for banks to expand their lending, deposit taking, insurance, and wealth management businesses.

This is in stark contrast to Canada, where the relatively small population and tightly controlled financial system has caused the market to reach point of saturation, limiting the opportunities available to market participants.

Then there is the ongoing U.S. economic recovery. While at times it appears somewhat feeble, it continues to gain momentum, driving higher demand for credit and other banking products.

The positive effects of these market dynamics becomes apparent when examining Toronto-Dominion's latest results.
By the second quarter 2016, Toronto-Dominion's U.S. retail-banking business accounted for almost 32% of its total net income compared to 28% only a year earlier. And this can be attributed to it experiencing a solid bump in its bottom line; net income increased by an impressive 14% on the backof strong credit and deposit growth.

In fact, for that period, total loans under management rose by an impressive 32% year over year with the majority of that growth coming from higher-margin business loans. This can be attributed to a steadily improving U.S. economy coupled with growing business and consumer confidence.

These attributes are particularly important for any Canadian bank to possess at this time because the Canadian economy is facing an assortment of headwinds that are curtailing growth. Then there is the declining demand for banking products and services from households, which are finding their spending constrained because of a weak economy and record levels of debt.

It should also be noted that along with the impressive growth opportunities that operating in the U.S. offers, it is also a far safer and lower-risk jurisdiction than either the Caribbean, Latin America, or other emerging markets. This, I believe, makes Toronto-Dominion a superior investment to **Bank of Nova Scotia**, which–because of its focus on expanding its business in Latin America and exposure to Asia–is exposed to a far greater degree of risk.

So what?

All of these characteristics coupled with Toronto-Dominion's impressive dividend history, which has seen it hike its dividend for the last five years straight and now yields a juicy 4%, makes it a compelling investment for the long-term investor.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/10/01
Date Created
2016/06/30

Author
mattdsmith