3 Reasons to Buy Toronto-Dominion Bank

Description

Growing fears of a systemic European banking failure and concerns about the outlook for the global economy has seen banks roughly handled by the market in recent weeks. Along with the Brexit triggering renewed fears of yet another economic crisis, this has left many investors wondering if there is a place for banks in their portfolio.

However, regardless of the state of the global economy and the pessimistic outlook surrounding banks, there are a number of reasons as to why now is the time for investors to add Canada's largest bank by assets, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), to their portfolios.

Now what?

Firstly, the sell-off of banks as part of the broader pullback across the financial sector now sees Toronto-Dominion's share price down by 3% over the last month, leaving it attractively valued.

It's trading at only 1.6 times its book value and 11 times its estimated 2017 earnings, which are some of the lowest valuation ratios among Canada's major banks.

Secondly, the U.S. economy appears to have shrugged off the fallout from the Brexit, and its ongoing growth is set to benefit Toronto-Dominion.

You see, the latest U.S. jobs data came in well above expectations, indicating that the U.S. economy continues to expand despite the headwinds facing Europe, Japan, and China. There are indicators that this growth will carry on for at least the foreseeable future, benefiting those banks that–like Toronto-Dominion–have considerable U.S. operations.

After all, Toronto-Dominion is the 10th-largest U.S. bank by assets and receives almost a third of its net income from its U.S. business. This means that any uptick in U.S. economic activity will give its bottom line a healthy bump, unlocking further value for investors.

Finally, Toronto-Dominion has a long history of rewarding investors with a regularly growing dividend.

In fact, the bank has hiked its annual dividend for the last five years straight, and it now offers investors a tasty 4% yield. More importantly, with a low payout ratio of 47%, it is quite clear that the dividend is sustainable, making the risk of a dividend cut particularly low. This means that patient investors will continue to be rewarded as they wait for Toronto-Dominion's share price to appreciate.

So what?

Canada's top five banks have a long history of solid earnings growth and regular dividend payments which makes them an attractive addition to any portfolio. Despite the current operating environment appearing less than favourable for banks, this should not deter investors from including them in their portfolios.

With its attractive valuation, solid exposure to the growing U.S. economy, and long history of dividend payments, Toronto-Dominion shapes up as the best opportunity among the big banks at this time.

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1. Bank Stocks
2. Dividend Stocks
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