



Is Toronto-Dominion Bank the Best Banking Dividend Stock?

Description

Among the major Canadian banks, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) has been a laggard this year. But it seems this isn't going to be the case anymore.

Canada's largest lender by assets reported a 17% jump in its third-quarter profits, boosted by a strong performance in its domestic banking segment.

The rebound in the quarterly profits, which were the best in at least the past eight quarters, removed many concerns investors had about the lender's slowing growth on the domestic side.

As I've explained in earlier columns, the recent pullback in the shares of top Canadian banks provides a great buying opportunity for long-term dividend investors.

The reason is simple: Canadian banks operate in an oligopoly where they don't face competition the way we see in the U.S. Many smart investors, who are in it for a long haul, understand that some temporary poor performance isn't going to change the broader picture.

The same is true for TD bank. Third-quarter earnings show the lender came back much stronger with domestic retail operations providing a much-needed boost in profitability after a few quarters of lower growth.

Earnings from Canadian banking surged 13% to \$1.3 billion in the quarter ended July 31. This profit growth was the highest among **Royal Bank of Canada**, **Bank of Montreal**, and **Canadian Imperial Bank of Commerce** for the same period.

What's next?

The third-quarter earnings for the major Canadian banks have shown that all lenders are in a good shape and well positioned to benefit from a strong rebound in Canadian economic growth.

TD Bank stock is likely to outperform other lenders in the remaining part of this year, as was evident the day it reported its third-quarter earnings. TD stock rose the most in 18 months when all other lenders were down the same day.

For long-term income investors, TD Bank offers an attractive dividend yield and a potential of a capital gains. Many investors are shying away from the banking stocks on fears that the housing market correction in Canada's largest city, Toronto, could affect their home-lending portfolios as borrowers struggle amid rising interest rates.

But TD Bank's latest data suggests its quality of assets remains strong, and it shows no sign of distress.

With a dividend yield of 3.6% at the time of writing, TD Bank's payout is still about twice the average dividend yield offered by industry peers.

I think the current bullish trend in TD stock will continue, providing dividend investors a good entry point to add this solid banking stock to their portfolios.

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