



Toronto-Dominion Bank Slips Under \$70 in April: 3 Reasons to Buy Today

Description

In early April, shares of **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) closed below the \$70 mark for the first time since September 2017. Investors will remember the late summer and early fall of 2017 as the beginning of a remarkable run for Canadian bank stocks. TD Bank stock had dropped 5.6% in 2018 as of close on April 19.

Recent dips should not steer investors away from one of the top stocks on the TSX. Let's look at three reasons to add TD Bank to your portfolio today for what could be a bargain.

NAFTA deal appears imminent

In early April, TD Bank CEO Bharat Masrani warned that heightening trade tensions could [potentially trigger recessions](#) in some countries. Masrani has said that a swift and positive NAFTA resolution is important for long-term business outlook. "Folks are worried," Masrani said in late March. "It's critical that this gets sorted and that we move on."

Fortunately for Masrani and the Canadian business community, NAFTA talks have been making very good progress of late. Most recently reports indicated that the sides came to a resolution on the telecommunications chapter, which is the seventh out of 30 under consideration. Reportedly, the big sticking points remain auto, agriculture, and investor-state dispute panels. The talk coming from all sides has been increasingly positive, and it looks possible that a deal could be reached in principle within the next few weeks.

Bank earnings in U.S. a good sign so far for TD

TD Bank has the largest U.S. footprint of any Canadian bank, and it has contributed largely to its success in recent years. In the first quarter of 2018, its U.S. Retail segment reported adjusted net income of \$1.02 billion, which represented a 19% increase year over year. It was hit with tax charges of \$405 million due to U.S. tax reform, but leadership has not complained, as corporate taxes have been slashed from 35% to 21%.

Bank earnings season in the U.S. is already underway, and the results are promising. **US Bancorp**, for

example, reported a 13% increase in first-quarter earnings, aided by higher interest rates and the tax reduction. Business confidence remains high, and small businesses are reportedly borrowing more so far in 2018. Higher interest rates in both the U.S. and Canada should also help TD's margins going forward.

An undervalued TSX

The S&P/TSX Composite Index had dropped 4.6% in 2018 as of close on April 19. However, economists and fund managers have been keen to point out how cheap the TSX is relative to the S&P 500 currently. The asset management company **Fiera Capital Corp.**, which manages over \$125 billion in assets, recently projected that the TSX would [reach over 17,000](#) by the end of 2018 with global growth boosting assets in the latter half of the year.

The major Canadian banks make up almost a quarter of the weighting in the S&P/TSX. TD Bank is the second-largest weighted stock on the index. If a strong Canadian and global economy can spark the TSX after a weak start, it is more than likely that TD Bank will be a leader in the charge.

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