Toronto-Dominion Bank Stock Hits All-Time High After Q2 Earnings: Is it a Buy Today?

Description

Shares of **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) closed at $76.61 on May 28. The stock hit an all-time high of $76.81 on May 24, the same day it released its second-quarter results. Back in April, TD Bank stock had slipped below $70 and offered an enticing entry point. Should investors jump in after this recent report? Let's dive in.

TD Bank reported second quarter diluted earnings per share of $1.54 compared to $1.31 in Q2 2017. Adjusted net income was posted at $3.06 billion over $2.56 billion in the prior year, while adjusted earnings per share was $1.62. TD Bank received a very favourable boost from its Canadian Retail and U.S. Retail banking segments.

Canadian Retail profit rose to $1.83 billion, which represented a 17% increase from Q2 2017. The bank reported that it benefited from higher margins, improved volume growth, and strong credit performance. Its wealth business also posted increased trading volumes and saw a bump in assets under management.

Top lenders have thus far managed to excel in spite of continued weakness in the Canadian housing market. TD announced the launch of a digital pre-approval tool for mortgages in the second quarter, which pairs with its current mortgage affordability and pre-qualification tools. The bank currently boasts about $190 billion worth of mortgage loans. Experts and analysts have projected even slower growth for the top lenders in the second half of 2018.

The U.S. Retail segment reported adjusted net income of $1.05 billion, which represented a 24% increase from the prior year. Earnings received a boost from growth in loan and deposit volumes, as well as the lower corporate income tax rate. TD Bank was hit with a $400 million charge in the first quarter of 2018, but long-term leadership was confident that U.S. tax reform would be a net positive going forward.

TD Bank also last paid out a quarterly dividend of $0.67 per share, representing a 3.2% dividend yield.

The **S&P/TSX Composite Index** gained significant momentum in the second half of April and saw the rally spill over into May. However, the TSX has experienced downward pressure in recent trading sessions, with plunging oil prices weighing on the energy-heavy index. Corporate leaders have expressed some pessimism regarding the Canadian economy in 2018, particularly when it comes to capital flight.

It’s always hard to bet against the profit machines that are Canadian banks, but in this instance, the adage “sell in May and go away” may be true in the short term. Investors may be a little late on that point as we reach the end of the month. Those looking long-term will probably want to avoid stacking at the current stage. TD Bank’s large U.S. footprint is always a point of interest, and its business south of the border should continue to perform well after tax reform and with the current administration pushing for deregulation.

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