This Bank Will Become the Largest in Canada

Description

Canada's Big Five have long dominated the market, and for good reason. A long string of better-than-expected results as well as rising interest rates have ushered in an era of expansion and dividend hikes by the banks that investors are embracing.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of the largest of the Big Five and represents a unique buying opportunity for long-term investors.

Here's why you should consider TD for your portfolio.

TD has seen significant growth over the years

TD has seen a steady stream of growth over the years, and the bank's market cap currently stands just shy of $146 billion, which is incredibly close to the $148 billion market cap of **Royal Bank of Canada**, which is the largest of the big banks.

Market cap is not the only thing that's grown. Year to date, TD's stock price has jumped over 7%, and looking out over the course of a full calendar year shows the stock gaining over 20%. Expand that outlook to two years, and the jump increases to 37%.

In fact, looking at the five-year return on the bank shows the stock surging an impressive 75%, which far surpasses any of TD's peers in the financial sector.

While historical returns aren't a reflection on the future, that growth is likely to continue for the foreseeable future thanks to TD's growth within the U.S. market and the current environment of increasing interest rates.

TD's investment in the U.S. will pay dividends

Much of TD's incredible growth over the past decade has come from its extensive investment into the U.S. market, where TD now has more branches than it does in Canada.

In the years following the Great Recession, TD and several of its peers identified and acquired a number of distressed banks in the U.S. market, which were subsequently rebranded.

This is an important factor to keep in mind for two key reasons.

First, TD's growing exposure to the U.S. market has become a key opportunity for the bank not only to expand its network but also its total deposits. A decade ago, TD, under the TD BankNorth branding, had just a few branches in the northeast of the U.S., with few expansion prospects.

Today, TD's network in the U.S. spans along the east coast from Maine to Florida; in some large metro markets, such as New York City, TD has more branches than many of its big American peers. That growing network is just one reason why the bank is known in the U.S. as "America's most convenient bank."

Maintaining a large network of branches in the U.S. means a larger customer base and more deposits, which in turn means more revenue. As of the most recent quarter, the bank's U.S. segment accounted for nearly a third of all company profits.

The second point worth noting is interest rates.

Interest rates are rising, and they are rising faster in the white-hot American market than in Canada. Fueled by the lowest unemployment rate in over a decade and plenty of investment, the economy there is chugging along, and TD is benefiting from those higher interest rates that come in the form of higher margins.

That's not even taking into consideration the additional gains that could come if the loonie continues to slide against the greenback.

TD pays a great dividend

Canada's big banks offer impressive dividends, and TD is no exception to this. TD's quarterly dividend provides an appetizing 3.48% yield that, while not as lucrative as some of its peers, has steadily grown over the years and will likely continue to do so for the foreseeable future.

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dafxentiou