Toronto-Dominion Bank (TSX:TD) Posts a Strong Q3 Thanks to Strong Growth in the U.S.

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) recently released its quarterly results, and the bank stock continues to prove to investors why it is a great buy. With over $3.1 billion in net income for the quarter, TD's profits rose by 12%, while its revenue increased by only 6%. Despite a solid performance, investors didn't seem impressed with the quarter, so let's take a closer look at the results to see why that might be the case.

U.S. market continues to drive growth

In the bank's U.S. Retail segment, sales were up over 6.5% as TD continues to benefit from a surging economy south of the border. Without a big increase in costs, it was able to see a lot of the improvement in the top line flow through to earnings, with the division reporting a net income that was 27% more than what it achieved a year ago.

TD notes that it did benefit from a $61 million benefit as a result of tax reforms, which isn't a surprise as with its large U.S. presence, the company was expected to see an increase in its bottom line this year as a result of the tax changes.

By comparison, the Canadian Retail segment saw a much more modest improvement from last year, with profits up only 7% despite the fact that sales rose by 9%. Rising expenses, and in particular, higher insurance claims and non-interest expenses, eroded away some of the improvement that the segment was able to achieve this past quarter.

The bank's wholesale segment, which earns revenue from capital markets as well as investment banking services, was the biggest disappointment in Q3 as its sales declined by 12% while earnings were down by 24%.

Has TD set the bar too high?

While the bank did well this quarter, investors have come to expect that from one of the country's top banks. In Q2, TD saw a 17% increase in its bottom line, and so investors may have been a little disappointed not to have seen another similar performance this quarter. Expectations are also likely heightened due to the economy doing so well and with interest rates on the rise, investors may have been looking for TD to be able to earn more as result of higher spreads.

However, it's not all good news, as there is the danger that rising interest rates could have an adverse impact on the economy, and there are also concerns about the future, particularly in the U.S., where there are many questions surrounding the political landscape and what trade with Canada will look like once a new trade deal is reached.

Is the stock a buy on these results?

While the results weren't spectacular, there was also nothing glaring in the earnings report that should have investors raising alarm bells anywhere. With the economy still continuing to do well, it's as good a time as any to invest in bank stocks.

Over the past 10 years, TD's stock has risen more than 150% on top of a growing dividend that will pad those totals as well. If you're investing for the long term, it's hard to find a safer and better stock for your portfolio.

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Date
2025/08/15
Date Created
2018/09/02
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