



3 Reasons Why You Shouldn't Sell Your TD (TSX:TD) Stock in the Next 5 Years

Description

The TSX index is packed with great tickers that makes investing for beginners an absolute breeze — or at least it would be if the average first-time TFSA or RRSP investor knew how to invest in the stock market the smart way. Having a stock-screening strategy in place before you start buying is always a good idea. If you go through a stockbroker or financial advisor, chances are they will make use of one or more stock-screening mechanisms on your behalf.

However, if you have some idea of what kind of trading strategy you're going to employ, you can do most, if not all, of your stock screening yourself. Generally speaking, the best way to decide which stocks to buy now and which to watch is to look at three key metrics. This article will go through these below and use one of the top TSX index stocks as an illustrative example. Briefly, the three factors to look for are value, quality, and momentum; each of these three factors has been assigned three sub-characteristics which you will see below.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

One of the top TSX stocks to watch, [TD Bank](#) looks like a buy today. Indeed, rare has been the time that this major Big Five Canadian banking stock has not been a buy, with pre-earnings breathers being fairly routine exceptions. Canadian stocks don't get much more defensive than this \$134 billion market capitalized megastar. With 0.9% seven-day returns and one-year past earnings growth of 10%, it's one of the front-runners of profitable domestic financials.

A PEG of 1.4 times growth signals decent valuation, while low non-loan assets and a good allowance for bad loans make this as risk-free a Big Five banking stock as you are going to find. There's been some 12-month inside buying — always a good sign if you are looking for confidence. Competitors include the other Big Five banks, though any financial stock on the TSX index is a potential alternative with which to pad your passive-income portfolio, TFSA, or long-term retirement fund.

Good value

Reason number one to consider buying this stock is that it's decently valued: a P/E of 12.6 times earnings is suitably low, and while a P/B of 1.9 times book could be a tad lower, a dividend yield of

3.64% is meaty enough for a defensive portfolio.

Good quality

Classy stocks to invest in don't always have their HQs in or around the Bay Street area of downtown Toronto, but those that do tend to offer comparative financial safety and some solidly regular income to their shareholders. TD Bank is no different — a downtown banking hero beloved of dividend investors across the nation, this thoroughbred stock is one to buy and hold forever. A ROE of 14%, EPS of \$5.86, and 9.1% expected annual growth in earnings show that this is a stock of fairly decent quality.

Low volatility makes for a risk-averse pick

TD Bank gained 0.45% in the last five days, which shows that this defensive dividend hero isn't one for momentum investors. Its beta of 0.83 indicates low volatility, while its share price is discounted by 10% compared to its future cash flow value. The upshot is that this stock can weather market instability.

The bottom line

Buying shares in TD Bank is a good play to make money with stocks long term. Newcomers to investing in Canada should think about adding this low-volatility, good-quality stock to their portfolios or savings accounts for regular passive income. A period of potentially high instability is likely to settle over the markets, blanketing the next five years in a bearish fog; holding [battle-ready stocks](#) like TD Bank is a relatively safe way to stay invested throughout.

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