



Toronto-Dominion Bank (TSX:TD) Just Hit a Massive Buy Signal

Description

Don't look now, but **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) has fallen to a fairly strong level of support at the \$69 level.

Technically (and fundamentally) speaking, TD Bank is among today's timeliest of buys

While the effectiveness of technical analysis is up for debate, I still believe it's a useful tool for finding entry points, assuming you've ensured full due diligence with respect to the fundamentals beforehand. As you're probably aware, technical analysis only considers the charts, and it's been shown through empirical evidence that this form of pure technical analysis isn't very effective in an efficient market.

Technical analysis works — until it doesn't. But if you've decided that you're going to buy a stock on a dip in spite of its negative momentum, you can think of technical analysis as a protective glove that you can put on if you've already decided that you're going to catch the falling knife. If a technical level of support fails you, you'll still feel the pain over the near term, but at the very least you'll have the fundamentals to fall back on and hopefully plenty of dry powder on the sidelines to average down your long position.

I'm no technician, nor would I condone the use of technical analysis on its own, but if you've carefully done your homework, why not add another weapon to your arsenal? Technical floors of support and ceilings of resistance do consider the psychological nature of investors, after all!

A premium business at a bargain-basement price

TD Bank is the crème-da-la-crème of Canadian banks.

Its Canadian and U.S. retail banking divisions allow the company to enjoy a lower degree of volatility relative to its peers who may have a sizable portion of revenues derived from capital markets

businesses. Combine TD Bank's lower-than-average earnings volatility with the bank's more conservative loan policies and its willingness to invest in ["future-proofing"](#) with technological initiatives, and you've got a bank that deserves to trade at a rich multiple.

At today's levels, TD Bank stock, while still at a premium, trades at less of a premium which I believe is undeserved after clocking in a fairly strong quarter that saw adjusted net income top \$3 billion, up 15.3% year over year. Like most banks, TD Bank also benefited from better net interest margins (NIMs) from recent rate hikes.

So, why the sell-off?

Mr. Market's Boxing Day blowout came early for stocks this year. Bank stocks have been clobbered of late, and TD Bank was caught in the scuffle, but for do-it-yourself stock pickers, this is a good thing!

You're getting the same premium business that seemed unstoppable just a few months ago. The only difference is you're getting a 12.5% discount and an enhanced dividend yield that's nearing 4%. TD Bank stock rarely breaches the 4% mark, but when it does, odds are you only have a limited time to pick up shares before they correct to the upside, dragging the yield back down to the low to mid 3% levels.

Foolish takeaway on TD Bank stock

At the time of writing, the stock trades at a 10.1 forward P/E, a 1.7 P/B, and a 3.3 P/S, all of which are lower than the bank's five-year historical average multiples of 13.3, 1.9, and 3.4, respectively.

Simply put, TD Bank stock is [unsustainably undervalued](#), and if you don't think we're on the cusp of a recession, the stock is a conviction buy at \$69 and change, a strong level of support that only serves to back an otherwise strong fundamental story.

Stay hungry. Stay Foolish.

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