



## 3 Reasons Toronto-Dominion Bank (TSX:TD) Is Canada's #1 Bank Stock

### Description

Bank stocks are not the most popular investments in the world right now. But with Warren Buffet loading up on them, it might be time to give them a look. Although banks tend to do poorly in recessions—and almost everybody thinks there's a recession coming—that doesn't necessarily mean you need to ignore financials altogether. A low enough price and strong enough fundamentals can make a bank stock worth buying even in bad times.

Enter **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). TD is one of Canada's biggest banks with a massive U.S. presence as well. TD has become a favourite bank stock for investors due to its combination of safety and upside. Indeed, many have called it Canada's best bank stock. But is it? Here are three points to make the case that it is.

### U.S. retail

A big bank can only grow so much in one country. And Canada's big five banks are already collectively near full market penetration on the home front. In a situation like this, the only avenues to growth are riding broader economic expansion, and capturing market share from competitors.

This is what makes TD's [large and growing](#) U.S. retail banking business so great. In Q4, TD's U.S. retail banking segment was up 44%; with TD being still relatively small in the U.S., that growth can continue for a long time. So TD has a big anchor in the U.S. and can use that to propel future growth in a way none of its Canadian peers can.

### Dividend growth

TD bank does not have the highest dividend yield in the world. But what it lacks in yield it makes up for in growth: TD has a long history of raising its dividend by about 10% a year, which means that a 4% yield on shares bought today, could easily grow to 8% at some point in the future. And since TD's payout ratio is just 43%, we can expect that dividend growth to continue for some time.

## Safe loans

Last but not least, TD's loans have historically been very safe. TD is known for [conservative lending practices](#), and it shows in the fact that the bank made it through the last recession without a scratch. Although TD is "the most American of Canadian banks," it still takes a Canadian approach to risk. This is important because, as we inch closer to a recession, financial stocks with too much exposure to risky loans will be among those hardest hit.

TD, with its strict lending criteria and history of weathering economic storms without a scratch, is among the financial companies best positioned to prosper in the turbulent times ahead. If you're eying a slice of banking profits, you could do much worse than TD bank.

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1. Bank Stocks
2. Dividend Stocks
3. Investing

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andrewbutton

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