Will Toronto-Dominion Bank (TSX:TD) Stock Climb Back Above $80 This Year?

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) stock was up 1.4% so far in 2019 as of close on January 10. Shares had still dropped 7% year over year.

The big buy signal for TD Bank has likely passed after its RSI fell below 20 in late December. As of close on January 10, TD Bank stock's RSI sat at 49, indicating the stock is in neutral territory as we approach the mid-point of the month. That should not drive investors away from adding the stock right now.

Back in December 2017, I'd discussed why U.S. tax reform made TD Bank an appealing addition before 2018 kicked off. The stock had a volatile run in the spring of 2018, but shares eventually soared to all-time highs in the fall of last year. Unfortunately, as was the case with other stocks in the financial sector, TD Bank fell victim to the broader stock market sell off.

TD Bank has a strong showing in fiscal 2018. Adjusted diluted earnings per share rose to $6.47 compared to $5.54 in the prior year. The bank also reported adjusted net income of $12.18 billion over $10.58 billion in 2017. As predicted, TD Bank's U.S. Retail sector was the largest source of strength throughout 2018. The surge from tax reform is expected to dissipate in 2019, and U.S. growth is also forecast to slow into the next decade.

Global economic risks did not go unmentioned by the bank in its fourth-quarter and full-year report. CEO Bharat Masrani said that the bank faces "a number of macro-economic and geopolitical unknowns in the year ahead."

In late December, the U.S. Federal Reserve cut its estimate for U.S. gross domestic product in 2019 to 2.3% growth. This was down from its September projection of 2.5% growth. GDP growth in 2018 was also revised down to 3% from 3.1%. The Fed signalled two more rate hikes in 2019, but recent volatility has seriously put that projection into question.

Canada is also facing slower growth projections in 2019 and 2020. The broader economy is feeling the pinch from the sharp decline in oil prices — something the Bank of Canada has called attention to in recent statements. The central bank has also hinted that it will slow interest rate increases going forward to lessen pressure on consumers and the overall economy heading into the next decade.

Slowing U.S. growth is not great news for TD Bank shareholders, but activity south of the border will still provide a big boon to the bank's business in 2019. The bank's stock is not oversold, technically speaking, but I still like it as it stands priced below $70. The bank last paid out a quarterly dividend of $0.67 per share, representing a 3.9% yield. This is on the lower end of yields offered by its peers, but TD Bank stock has proven to be one of the top growth stocks among the Big Six.

Investors may want to temper their expectations in 2019, as economic headwinds will keep markets shaky going forward. A shot back to all-time highs is a tall order, but TD Bank is in a good spot to lead a bounce back in Canadian financials this year. The stock still looks like a buy right now.

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