

Is Now the Time to Buy Toronto Dominion Bank (TSX:TD)(NYSE:TD)?

Description

Two months ago the call was obvious: Buy the Canadian banks. At that time, stocks were getting crushed and yields had moved well into the 4-5% range. With the banks having bounced back from those reduced prices, investors need to decide whether they want to continue to buy shares of the banks, save their cash, or invest in something else.

A case can be made for either position. Let's face it, you could have pretty much bought the banks at any point, even at the height of stocks, and come out with a pretty healthy profit. That's not even counting the dividends. Buying the banks at any point over the past hundred years would have made you a great profit in the long run.

A good example of these [great returns](#) over the long-term is **Toronto Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). While it is pretty much true of all the Canadian banks, the best time to have bought TD is basically whenever you decided to buy it. If you bought this bank in the mid-nineties, you would now have a total capital return of over 1000%, not including the dividends paid over that period. Even if you had bought the stock just five years ago, you would have realized a capital gain of 50%.

TD has excellent results over time and will more than likely continue that trend in the future. If you are afraid of the Canadian real estate market — and you probably should be — TD is the bank for you. This bank has extensive operations in the United States.

Its retail business in the United States is almost as large now as its Canadian operations, with a net income of \$1114 million from the U.S. reported in the fourth quarter of 2018 compared to the \$1741 million reported from Canada. TD Ameritrade contributed \$228 million to the American net income. The growth rates on this net income are even more compelling, with U.S. net income growing at a rate of 44%, while Canada grew at a much more modest 5%.

The Wholesale Banking segment [grew quickly](#) as well in the fourth quarter, up 24% as compared to the fourth quarter of the previous year. This segment is focused on opportunities in the United States which is where, as we have seen, most of the growth still lies.

It's easy to get caught up in the capital gains long-term holders of the company have experienced, but investors should not forget to look at the dividend. TD currently pays a dividend of around 3.58%, although as recently as a month ago you could have bought it with yield greater than 4%. This dividend has been growing quite quickly over the years. Last year the bank hiked its dividend 11.7%, and it's also been known to raise the dividend more than once a year.

While I have a general preference to buy the Canadian banks on pullbacks that result in the dividend growing higher than 5%, the truth of the matter is this: the right time to buy them is *any* time. The long-term gains these banks have provided have been stunning. Even the financial crisis is just a small blip if you look at a 20-year chart. Don't get too hung up on an entry point if you are looking to enter a position in TD. If you have the money, buy in now.

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3. Investing

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