



Should You Be Worried About Toronto-Dominion Bank (TSX:TD) Stock After Its Earnings?

Description

In early January I'd discussed whether **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) had a good chance to [surpass the all-time high](#) it set last year. TD Bank hit a big buy signal in late December, but I ultimately warned investors that economic headwinds would make it a tough task for the stock to reach the \$80 mark in 2019. Nonetheless, the stock was still a buy even in early January.

Canadian banks released a flurry of earnings in the final week of February. TD Bank released its first-quarter results for 2019 on February 28. It was a [mixed bag](#) for some of its Canadian peers, and TD was no different.

TD Bank reported adjusted diluted earnings per share of \$1.57 in the first quarter compared to \$1.56 in the prior year. Adjusted profit hit \$2.95 billion over \$2.94 billion in Q1 2018.

TD Bank's retail segments performed well in Canada and the United States. Its Canadian Retail segment posted a 6% increase in adjusted profit to \$1.85 billion. TD Bank has seen impressive success after the launch of an industry-leading digital mortgage application. The real estate secured lending business gained market share for the third quarter in a row.

Adjusted net income in its U.S. Retail business was up 21% year-over-year to \$1.24 billion. The bank reported solid loan and deposit growth and benefitted from higher margins because of increased interest rates.

TD Bank's Wholesale sector was hit hard by market volatility over the past several months. The Wholesale banking segment posted a net loss of \$17 million compared to net earnings of \$278 million in the prior year. Revenue plunged 35% from the prior year, which reflected poor market conditions and a decline in client activity in the quarter.

The bank expects positive market conditions in the final three quarters of the year to boost earnings going forward. It projected that its full-year performance would be closer to the lower end of its medium-term target for adjusted EPS growth.

The mixed report sparked a drop for TD Bank's stock in the final two trading days last week. Shares have declined 1.4% week-over-week as of close on March 1. However, the bank moved forward on a dividend increase. TD Bank announced that it would increase its quarterly dividend by 10.4% to \$0.74 per share, representing a 3.9% yield as of this writing.

Is TD Bank worth picking up after its earnings report?

TD Bank stock has climbed 10.7% in 2019 as of close on March 1. The stock is the second-largest constituent on the **S&P/TSX Composite Index**, which has veered into pricey territory after a terrific start to the year. After its last close, TD Bank has plunged outside of overbought territory, and its stock is closer to a neutral rating right now.

I like TD Bank going forward, but investors should exercise caution in this overbought market. Value investors may want to wait for TD Bank to pay out a 4% yield before pulling the trigger.

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Date

2025/07/05

Date Created

2019/03/04

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