



## Why TD Bank (TSX:TD) Stock Is Poised to Pole Vault to New All-Time Highs

### Description

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is still the [crème-de-la-crème of dividend-growth stocks](#). Whenever shares trade at a slight discount relative to its average historical valuation, it's usually a good idea to back up the truck because time and time again, TD Bank has proven it has what it takes to come roaring out the gate after periods of macro hardship.

### Tough times, but TD Bank always pulls through

The banks are under the cross hairs of institutional short-sellers, interest rate cuts are now more likely than further rate hikes, and most banks have reported two muted quarters that have been plagued by slowing capital market activities and growth in domestic mortgages. With most big bank stocks under a considerable amount of pressure, I believe the perfect storm of headwinds has created a rare window of opportunity for value-conscious contrarians to pick up their favourite banks for less than they're worth.

With the slowing economy, many analysts have now lowered the bar when it comes to EPS growth. Low-to-mid single-digit EPS numbers are now in the cards for the big banks, and with such a low bar set, a premier bank like TD Bank has the potential to surprise everybody with a surprise beat that could send the stock pole-vaulting past all-time highs.

TD Bank has been one of the bigger laggards of the Big Six of late thanks in part to the wholesale banking segment, which took a big punch to the gut in the last quarter. Lower margins and upped investment costs were a major sore spot for wholesale, and with muted growth now expected by many analysts, I see minimal downside from these levels, especially given the exceptional management team that rarely drops the ball.

Moving forward, TD Bank will not only benefit from a re-acceleration in the capital markets, but the bank has several other segments that could provide the bank with a nice earnings windfall. TD Ameritrade is picking up traction, and as tech investments launching like the upgraded DIY WebBroker platform or TD Clari, the bank could finally start to see its R&D bets become more material to the

bottom-line results.

## A rare bargain for one of Canada's top dividend growth stocks

TD Bank looks to be one of the best bargains at this juncture for those long-term thinkers who are seeking the greatest magnitude of dividend growth over the next five to 10 years. Unlike **Royal Bank of Canada**, which has been flirting with all-time highs again, TD Bank stock is still down over 5% from the top.

Now, a 5% dip from the high may not seem like there's much value to be had. When you look under the hood, there are many catalysts and investments that could send the stock roaring back as the macro outlook gradually recovers.

TD Bank stock trades at a ridiculous 11.1 times next year's expected earnings, well below the bank's five-year historical average P/E of 13.4. Make no mistake. TD Bank is still a premium bank that deserves a premium multiple. This premium has just hibernated temporarily, but in time, I do believe that TD Bank stock will widen the valuation gap between itself and its peers in the Big Six.

Given the long-term investments made in the arena of fintech, I'd argue that the long-term thesis for TD Bank is the best it's ever been. The short-term trajectory is sent the stock off course, but in time the stock mispricing will likely be [corrected to the upside](#).

Buy TD Bank for the 3.9% dividend yield. Stay for the bounce.

Stay hungry. Stay Foolish.

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