Banking Battle: TD (TSX: TD) vs. Scotiabank (TSX:BNS)

Description

The top Canadian banks are the epitome of financial stability and dependability. All of them survived the last financial crisis and passed the recession test with flying colours. In particular, **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) exhibited extraordinary resiliency.

If you want to invest in Canadian banks, the two banks should be top of mind. These are "buy-and-hold" stocks that offer financial security well into the future. Canadian bank stocks are the core holdings of many long-term investors.

Assessing which stock to buy at this time is stimulating. There's a thin line separating TD and Scotiabank. Both are blue chip stocks that are reasonably priced relative to their market capitalizations.

We advise investors to look for blue chip companies that are likely to pay off if business and the stock market are good, but that won't hurt them too much during those inevitable periods when business or the markets are bad.

Head-to-head performance

In my book, Toronto Dominion is one of three Canadian blue chip stocks I'm never going to sell. If the banking sector and the stock market are doing well, then I'm good. But when the market is falling or during inevitable periods of uncertainties, my investment is protected.

Despite the low interest rate scenario, the bank's income climbed by 8.33% to $11.2 billion. Since 2015, profits are on the rise and growth estimate next year is 8.8%. The total assets of Canada's second-largest bank by market capitalization to-date are $1.3 trillion.

Based on my recent ranking of the Top 3 Canadian banks, Scotiabank is a close third to second-ranked Toronto Dominion. The 187-year old bank has a long history of strong operating results. Net earnings are just as strong and have averaged $8.25 billion in the last two years. The growth estimate for 2020 is 7.7%.

Dividend aristocrats

Scotiabank is the most appealing bank stock because of the high 5.0% dividend yield. Toronto Dominion pays a lower dividend of 4.0%, although the payout ratio of 44.35% is lower compared to Scotiabank's 50.60%.

The two banks are regarded as "Dividend Aristocrats" so investors won't feel skittish about a recession, trade war or any other market disruptions. The dividend growth rates are practically identical at 8.0%. They are the real inducements to income investors.

Given the growth estimates, there's a likelihood of price appreciation in the foreseeable future. Analysts predict TD's price to touch $90 and similarly, Scotiabank's value will appreciate close to that mark.

My high regard for the two banks stems from the international diversification efforts. Toronto Dominion has the best domestic retail platform and slowly, the bank is beating the U.S. banks in their own turfs. Scotiabank has a good combo of loan volume growth, margin expansion, and key acquisitions.

Blue-chip stocks such as Toronto Dominion and Scotiabank quality investments. The promise of strong returns year after year is never broken. Both are formidable financial institutions with a remarkable history of earnings and sustainable dividends. I'd rather not pick one over the other, but I'm 100% sure the two banks will not frustrate an investor's financial goals.

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