



## 3 Things Investors Should Look for When TD Bank (TSX:TD) Releases Earnings Next Month

### Description

Next month, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) will be releasing a quarterly report for the third quarter of fiscal 2019. The first earnings release for the second half of 2019, it will help show whether the bank can continue beating expectations after its stellar Q2 earnings beat.

For years, TD stock has defied gravity, growing faster than its Big Six peers on the strength of its strong U.S. retail business. However, recently, the bank's wholesale banking unit has been cause for some concern.

In Q1, the bank saw its [wholesale revenue fall by 35%](#) and earnings fall from \$278 million to \$17 million. While all other business units have done extremely well, persistent weakness in wholesale banking could send overall earnings lower.

Before we get into that, let's look at the most likely good news coming in TD's Q3 report.

### U.S. retail results

U.S. retail is by far TD's strongest business unit, growing by 29% year over year in the most recent quarter and as much as 50% in past quarters. The U.S. is a much larger market than Canada's, and with TD only in eighth place there, it still has plenty of room to grow.

The West coast is especially promising. TD's U.S. presence is almost entirely concentrated on East Coast markets, so the bank has room to move into the West and grow even more than it is now.

Investors will want to be on the lookout for these and related news items when they come out in August.

### Wholesale banking results

Now for an area of potential concern.

TD Bank's wholesale banking division bombed in Q1, and Q3 might be a similar picture. The wholesale banking business ('TD Securities') provides capital markets services to major institutions.

It declined in Q1, however, largely because of lower trading activity in what was then a very weak stock market. Q3 encompasses the month of May, which was also a bearish period, so we may see similar (albeit less pronounced) weakness in wholesale when earnings come out next month.

## PCLs

When it comes to the domestic side of TD's business, investors are going to want to be on the lookout for provisions for credit losses (PCLs).

One of the reasons that [U.S. hedge funds are shorting Canadian banks](#) is that they believe the banks are ill prepared for possible looming defaults.

Since the shorters began stating their theses in public, banks have been upping their PCLs.

As a geographically diversified business, TD is relatively insulated from the effects of Canadian credit issues. However, the bank's Canadian operations are still bigger than its U.S. operations, so a serious increase in defaults could hurt bottom line results.

Accordingly, investors will want to keep an eye on TD's PCLs, both to see whether it's prepared for possible defaults and as an indicator future consumer credit issues.

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