
TFSA Investors: A Top Dividend Stock to Buy When the Market Tanks

**Description**

Bargain hunters are finally getting a chance to pick up some top-quality dividend stocks at attractive prices.

Let's take a look at **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) to see why it might be a buy when the market pulls back.



## American presence

TD is a leader in the Canadian banking sector, but its U.S. group actually has more branches.

TD spent billions of dollars over the past 15 years to purchase regional banks in the United States strategically located along the country's east coast.

The American division provides more than 30% of profits, and investors should see growth continue in the business.

The U.S. operations provide a solid hedge against potential weakness in Canada and give investors a good way to gain exposure to the American economy through a top Canadian company.

Any time the U.S. dollar rises against its Canadian counterpart, the bottom line gets a nice boost because of the higher conversion rate on the American profits.

## Risks

The current trade war between the U.S. and China could go on longer than expected, pushing the American economy into a recession. That would be negative for TD, but the duration should be short.

In the end, both China and the United States are reliant on each other and the governments can't afford to plunge their economies into a deep downturn.

The result of the battle has been a halt to rising interest rates, as well as declining bond yields.

On one hand, the recent decision by the U.S. Federal Reserve to actually cut interest rates will squeeze net interest margins in TD's U.S. business, and the Bank of Canada's decision to stop raising rates has pundits speculating the next move could be a reduction.

At the same time, lower interest rates and the recent trend of falling bond yields are enabling banks to offer reduced mortgage rates, which should revive home sales.

Lower fixed-rate mortgage costs are also reducing default risks for existing homeowners who have to renew their loans. A potential crash in the Canadian residential housing market has been a worry for the past few years, which is likely in the current environment.

## Should you buy TD?

Historically, any meaningful pullback in TD's share price has proven to be a good entry point for buy-and-hold investors. The stock already offers a 3.9% yield with steady dividend increases expected in line with targeted earnings growth of 7-10% per share.



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