



## Q3 Stock Earnings Preview: Toronto-Dominion Bank

### Description

The United States economy has been firing on all cylinders over the past two years. U.S. markets pulled off huge gains in 2017 as traders and investors appeared to price-in tax reform. The U.S. Tax Cuts and Jobs Act was enacted in December of that year. In the ensuing months, many top U.S. firms — especially in the financial sector — posted record profits on the back of the corporate tax cut decrease.

In December 2017 I recommended **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) as an [attractive target](#). TD Bank boasts the largest U.S. footprint of the top Canadian banks, and is one of the largest banks operating south of the border.

The following year TD Bank achieved record adjusted net income of \$12.18 billion and adjusted diluted earnings per share surged to \$6.47 compared to \$5.54 in the prior year. It reported a 44% increase in adjusted net income in its U.S. Retail segment, largely on the back of loan and deposit growth, higher margins, and the benefits from U.S. tax reform.

TD Bank would steadily climb to an all-time high of \$80.05 in the early fall of 2018. However, it succumbed to the late 2018 global sell-off and has failed to return to its previous highs. Shares of TD Bank had dropped 6% over the past month as of close on August 15. The bank is set to release its third quarter 2019 results on August 29.

In the second quarter TD reported adjusted net income of \$3.26 billion which was up from \$3.06 billion in Q2 2018. The bank's U.S. Retail segment was once again the key driver of growth in the quarter. Adjusted net income in U.S. Retail banking rose 29% year-over-year to \$1.26 billion. TD Ameritrade's adjusted earnings surged 93% from the prior year to \$258 million.

TD's U.S. segment has benefited from improved margins and strong loan and deposit volumes. U.S. banks have received a broad boost due to higher net interest income in the first half of 2019, but a dose of monetary easing will narrow this advantage. The benefits of U.S. tax reform, at least in terms of year-over-year growth, have waned into 2019.

U.S. real GDP growth was 2.1% in the second quarter. This number was softened from the previous year, but still in line with estimates. Strong retail sales have eased anxieties over yield curve inversions, but many are still calling for a global recession in the near term due to trade pressures. A downturn for the U.S. economy would almost certainly eat into TD's earnings growth.

## Is TD Bank worth buying right now?

TD Bank stock was trading at the low end of its 52-week range at the time of this writing. The stock had a price-to-earnings ratio of 11.5, which is in line with the industry average. TD Bank last increased its quarterly dividend payout to \$0.74 per share, which currently represents a solid 4.1% yield.

Most enticing of all, TD Bank stock had an RSI of 24 as of close on August 15. This puts shares in technically oversold territory ahead of its third quarter earnings release. Risks are building in the global economy, but Canada and the United States are still showing healthy signs in 2019. This is why I'm stacking TD Bank at its nice value right now.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Bank Stocks
2. Investing

### Date

2025/08/20

### Date Created

2019/08/17

### Author

aocallaghan

default watermark