



## 1 Canadian Bank to Buy Right Now (And 1 to Sell)

### Description

The Canadian banks haven't been this weak in quite some time.

Thanks to numerous short-sellers who've been talking the Canadian banks down ad nauseam over the past year, many Canadians have been losing their patience and confidence with the high-yielding market darlings that have fallen due to a challenging macro environment.

Given the bleak forward-looking outlook for the Canadian banks as they look to enter the next credit cycle, many investors have scratched them off their buy lists and have instead flocked to non-bank dividend stocks like utilities.

Fear is the predominant sentiment when it comes to Canada's top financial institutions, so now would be a great time to get greedy if you consider yourself a contrarian value investor like Warren Buffett, who's doubled-down on the "weakened" American banks of late.

Many analysts have pinned the Canadian banks as "holds," which essentially means they're sell recommendations. Although short-term pain may be in the cards for those who choose to go against the grain at this juncture, I think there's an opportunity for long-term thinkers to lock in a higher yield.

This piece will look at a top banking bargain and one that should be steered clear of.

## Toronto-Dominion Bank

If any Canadian bank is ready to handle a crisis, it's **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). TD Bank is the most conservative lender and is usually the first to bounce back when the tides turn back in favour of the banks.

Stellar risk management and prudent preparation for downswings are what makes TD Bank such a spectacular all-weather investment to own both in good times and bad. The fact that the bank is selling off with the rest of the pack leads me to believe that Canadians are convinced that the short-sellers are right about the incoming damage that's in store for the Canadian banks.

TD Bank has been through worse storms, though. For those who see that TD Bank is on a more stable footing than many of its peers, there's an opportunity to buy the stock at an undeserved discount. At the time of writing, TD stock sports a 4.1% dividend yield and trades at a 9.9 forward P/E, which is just ridiculous given TD Bank is a king among men in the Canadian banking scene.

## Laurentian Bank

Even before the broader basket of bank stocks sold off, **Laurentian Bank** ([TSX:LB](#)) was in a world of pain caused by [hiccups](#) at the company-specific level. In essence, Laurentian suffered a mini-mortgage crisis thanks to a book of mortgages that soured back in late 2017.

The recent Canadian bank headwinds only served to exacerbate the troubles for Laurentian, which is one of three stocks that *The Big Short's* Steve Eisman is betting against. I disagree with Eisman's two other bank shorts, but when it comes to Laurentian, I think he's right on the money. Laurentian has plenty of its own problems in addition to the weak macro environment.

The main attraction to Laurentian is undoubtedly its massive 5.9% dividend yield and its seemingly "dirt-cheap" valuation. The stock trades at 9.2 times next year's expected earnings, which, while seemingly cheap based on historical averages, is actually not really much of a discount at all when you consider the excess [baggage](#) that investors may end up holding in the end.

Yes, Laurentian has a safe dividend, but it deserves to trade at a fat discount to its peer group.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:LB (Laurentian Bank of Canada)
3. TSX:TD (The Toronto-Dominion Bank)

### PARTNER-FEEDS

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

### Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

**Date**

2025/08/22

**Date Created**

2019/08/20

**Author**

joefrenette

default watermark

default watermark