Why Toronto-Dominion Bank's (TSX:TD) Stock Price Fell 6% in August

Description

Shares in **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) suffered their worst month of the year during August, declining more than 6% in what was, frankly speaking, a relatively slow period for most markets.

Despite that, the TD shares are still up a little more than 13% for the year and still trade at attractive values in light of the stock's current 4.1% dividend yield and 11 times trailing price-to-earnings ratio.

Big picture: TD Bank, Canada's second-largest lending institution, behind only **Royal Bank of Canada** in that regard, continues to look like a solid long-term holding that should belong in many Canadians' investment portfolios.

Yet concerns about the health and sustainability of Canada's credit markets, along with a general malaise that continues to hang over the financial sector in the wake of last decade's housing crisis, has left valuations in the sector depressed relative to several other pockets of the market, most notably of which is technology stocks.

But what's being ignored is that TD, along with several other of Canada's other major banking stocks, has continued to grind along, growing revenues, earnings, and dividends at respectable rates.

Take, for example, TD's second quarter, in which GAAP earnings grew by 5% year over year and adjusted earnings were also higher, by 7%, against the second quarter of last year.

However, that growth was more modest in TD's Canadian markets relative to the bank's activities in the U.S. — a fact which, in light of Canada's aforementioned credit concerns, probably shouldn't come as all that much of a surprise.

But while TD's Canadian business managed to grow its net earnings by just 2% year over year, the U.S. retail business delivered a much stronger showing, including 13% earnings growth driven that was in large part driven by strong demand for its discount brokerage services through TD Ameritrade.

Wholesale banking activities were strong for TD in the second quarter as well, backed by increased demand for trading activities, offset by lower fees earned on investment-related services.

Looking ahead, the bank says it will continue to focus on its U.S. dollar strategy, which includes the ability for Canadians to park their savings deposits in U.S. dollars at locked-in rates.

Foolish bottom line

Since reporting its second-quarter results on August 29, the TD shares have started to show meaningful support at their current levels.

Meanwhile, with government bond yields in Canada (as well as most G-7 countries, for that matter) still well below the 2% mark, the 4.1% dividend yield that investors can expect to receive from their investment in TD stock starts looking like all that much more of a bargain — something that's particularly true in light of the bank's history of dividend increases, including a 10% hike earlier this year.

Investors may be wise to use the latest spell of weakness to their advantage and pick up this company's shares on the cheap.

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