



TD Bank (TSX:TD) Is a Gift for Dividend Investors After TD Ameritrade's Implosion

Description

TD Bank ([TSX:TD](#))([NYSE:TD](#)), Canada's most American (and arguably most premier) bank hasn't been this cheap relative to its peers in quite some time.

The premium slapped on TD Bank stock is due to the firm's more conservative loan book, which led to far fewer provisions relative to some of its more troubled peers over the past year, and its less volatile retail business.

In a market that values certainty, TD Bank fully deserves its premium multiple. While the valuation gap between TD Bank and its peers has shrunk of late, nothing fundamental has changed about the business. It's still the same premium bank it was when it commanded a massive lead over its Big Six peers.

The only difference is that investors have overreacted to a few recent developments, the latest being **TD Ameritrade's** 26% Tuesday implosion as brokerages nosedived in response to **Charles Schwab's** elimination of commissions for stock and ETF trading, marking the start of the online broker price war.

Schwab sent all brokerage stocks into a tailspin, with TD Ameritrade taking a majority of the damage given its earnings would be most affected. Shortly after Schwab's shocking move, TD Ameritrade announced it'd match Schwab and "will eliminate commissions for its online exchange-listed stock, ETF (domestic and Canadian), and options trades, moving from US\$6.95 to \$0."

All investors should applaud that move, albeit for TD Bank investors, the move may be perplexing, as TD Bank has a significant stake in TD Ameritrade, which is why shares of TD Bank led the downward charge on Tuesday with shares retreating nearly 3% for the session.

With trading commissions going the way of the dodo bird, there's [never been a better time](#) to be a DIY investor. With more self-guided investment offerings than ever before, with competitors that are hungry for your business, the elimination of commissions was only a matter of time.

Fortunately, for investors in TD Bank, the development isn't detrimental, at least not from a longer-term

perspective.

Why?

TD Bank has been creating new platforms and technologies catered to DIY investors. I see the elimination of commissions as the first step in a new business model that'll be focused on services that go above and beyond just trade execution.

As such, the 26% and 3% plunges in TD Ameritrade and TD Bank, respectively, are overblown due to a [drastic misunderstanding](#) by investors, offering Fools an opportunity to pay three quarters to get a dollar — a real gift courtesy of Mr. Market.

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