



Alert: TD Bank (TSX:TD) Could Be Ready to Break Out!

Description

Due to a less favourable macro environment and the recent bump in the road caused by the brokerage wars, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) stock has been trailing some of its peers in the Big Six club of late despite still being arguably the most premier bank stock in Canada.

With fourth-quarter earnings results on tap December 5, TD stock could finally get the jolt it needs to finally break out of its consolidation channel and join some of its peers in the all-time high club.

And although fading headwinds in the Canadian banking scene are encouraging for investors looking to buy before Q4 earnings, it may be management's 2020 guidance that ultimately dictates the trajectory of the stock.

There's no question that investors don't want to hear a continuation of 2019, which has been a sluggish year for the Canadian banks.

With various pressures still facing the Canadian banks (net interest margins (NIMs) are likely to decline for Q4), investors shouldn't go into the quarter expecting a 180-degree reversal of sentiment, especially since the big banks aren't entirely out of the woods yet when it comes to the normalization of the credit cycle.

Many analysts still aren't sanguine on the Canadian banks and are calling for a cautious forward-looking commentary with regards to the guidance for 2020.

Given that TD Bank is trading at a nice discount relative to historical averages and is now no longer the most expensive bank stock according to traditional valuation metrics, I believe that TD Bank stock has the most room to run relative to most of its peers that have rallied substantially in recent months.

As Canada's most American bank, TD Bank provides Canadians with meaningful exposure to the hotter U.S. banking market while still offering a lower degree of earnings volatility thanks to its stable retail banking business.

The stock rightfully deserves to trade at a hefty premium relative to its peers for these reasons, but the

recent developments going on in the discount brokerage scene have knocked TD Bank stock a bit lower than where it ought to be.

Big developments in the brokerage arena

As you may remember, TD Bank stock got slammed after **TD Ameritrade** followed in the footsteps of **Charles Schwab** by bringing commissions to \$0.

Shortly after, TD Ameritrade was scooped up by Schwab and will create a brokerage behemoth that looks chock-full of synergistic potential.

TD Bank will own a nearly 14% stake in what I see as a much stronger company in Schwab, which bodes well for TD Bank over the long haul as the brokerage scene continues its evolution.

As I mentioned in a prior piece, the future of brokerages will be all about services that go above and beyond just the execution of trades. It's a pretty big deal, and TD Bank has a front-row seat with its Schwab stake.

You'd expect that the Ameritrade-Schwab deal would cause TD Bank to surge higher, but the reaction from the Street was muted. As a result, TD Bank stock is still [dirt cheap](#) at just 11 times forward earnings and 1.74 times book.

I think the name is misunderstood after the recent developments in the brokerage space and I believe that an upside correction could be in order, potentially after a decent fourth quarter alongside some cautiously optimistic commentary from management.

TD Bank is a premium bank at a not so premium price. So, if you're in the market for a 3.9% dividend yield at [a Black Friday discount](#), look no further than TD Bank!

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