



Buy TD Bank (TSX:TD) Today Because It Won't Stay This Cheap Forever!

Description

TD Bank ([TSX:TD](#))([NYSE:TD](#)) stock has delivered a stinker of a quarter earlier this month. The “premium” bank that many Canadians pay top dollar for has succumbed to the macro headwinds facing the Big Five, outshined by Canada’s number six bank in **National Bank of Canada**, putting its five bigger brothers to absolute shame for the fourth quarter!

What went wrong with TD Bank’s profits amidst the transition into the next phase of the credit cycle? Wasn’t TD Bank supposed to be well-equipped to handle such big bumps in the road?

Has management lost its aura of conservative practices by seeking riskier opportunities to grow during good times? And is TD Bank still worthy of the premium it once sported over its peers?

In the expansionary phase of the credit cycle, all is well, and the banks provide loans across the board. Rules are more relaxed, and the loan books of the banks surge, but the banks may be at risk of letting their guard down as they look to outdo their peers with regards to growing their loan books.

The banks that grew their books the quickest may have done so by raising their overall risk profile, and it’s these banks that could take the biggest hits to the chin when the credit cycle falls into a downturn.

While many Canadians likely expected better from TD Bank amid the [slew of negativity](#) in 2019, I’m not buying that TD Bank has lost its premium traits and has suddenly become a riskier lender like **CIBC** overnight.

Did TD Bank get caught offside? No doubt, but I see the Q4 flop (and the noise related to **TD Ameritrade**) as nothing more than small blips in the grander scheme of things.

As such, I view TD Bank as being discounted as short-term factors have drowned out the firm’s promising longer-term fundamentals.

TD Bank's management team certainly believes that its shares are undervalued, as it's ready to eat its own cooking over the next two quarters, with 3.5 million share repurchases to be made in the first half of 2020.

For Q4, TD clocked in adjusted EPS of \$1.59, substantially lower than the \$1.74 consensus estimate. Slowed growth, net interest margin (NIM) pressures, and rising provisions for credit losses (PCLs) (the usual suspects among the banks these days) took their toll on TD Bank's results.

While TD Bank could have done a bit better to prepare for the credit cycle downturn, it also could have done much worse too.

For now, TD Bank looks no better than its peers, but once credit stabilizes, I do see the premier bank roaring back as its stock slowly regains its premium multiple over its peers.

For now, the stock is [on sale](#), so it's time to buy. TD Bank will be right there purchasing (more) shares with you.

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