TD Bank (TSX:TD) Is a Low-Risk Stock for Cautious Dividend Investors

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has had a year full of headlines, from growth in the American financials space to inclusion in the top 30 most strategically important world banks by the Financial Stability Board.

But is it a buy as investors mull an economic crossroads ahead of the new year?

A key stock if you're bullish on banking

The financials space is looking solid leading into 2020, with no major signs that Canada will see the kind of market correction that investors had been fearing earlier in the year.

Talk of a U.S. recession flared in the fall, but has now died down despite an unusually high number of big market stressors still clouding the horizon.

So stubborn is the current record bull run that even the impeachment of President Donald Trump hasn't dented the North American markets.

That said, a wait-and-see attitude seems to be the prevailing mood as investors begin looking toward the new year.

The combination of a 4% dividend yield and the inherently defensive, if cyclical, nature of banking means that TD Bank is a strong choice for a portfolio built around low risk stocks for the long-term.

For new investors, it's also a good "seed stock" from which to grow a basket of investments. Low-risk isn't the same as no risk, however, so investors should be aware of the fact that banking is a cyclical sector, and exposed to a potential market downturn.

Indeed, if a recession were to impinge on lending, bank profits would fall in line with the broader market.

While it signals low volatility, with a 36-month beta of 1.07, TD Bank is in line with the **TSX** and thereby equally subject to peaks and troughs.

We’re not out of the woods yet

Investors were divided this week, as the potential for a tough 2020 for oil and gas ate into a relief rally that never really got off of the ground.

A breakthrough in the trade war and a general election in the U.K. taken by some as an indicator of a smoother Brexit should have seen more of a rise in the markets. However, it failed to convince investors, and a note of bearishness lingered.

Indeed, Boris Johnson’s rallying cry of “Get Brexit done” may now seem a double-edged sword. The markets had been largely bullish on Brexit, eyeing the prospect of a new era of post-divorce trade.

What investors can’t stand, however, is uncertainty, and the repeated extensions to Brexit were weighing on markets already depressed by the U.S.-China trade war.

Now those uncertainties look to be evergreen, with a phase two agreement looking unlikely and the fallout of a potential no deal Brexit continuing to darken next year’s outlook.

Throw in fuel production increases and you have a weakening energy sector that ties in with a doubtful manufacturing landscape for 2020.

The bottom line

Stocks to buy for a ploddingly bullish market include slow, steady dividend growth heavyweights such as the Big Five.

However, with uncertainty still clouding the outlook for 2020, perhaps only the biggest and strongest of those stocks should be considered.

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