



TD Bank (TSX:TD): You Can't Keep a Good Dog Down!

Description

It's been a while since **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) was this out of favour. There's no question it's been a turbulent year, with [industry headwinds](#), the brokerage wars that saw TD Ameritrade get gobbled up, and the endless short-seller "warnings" the limelight of the financial media.

Just because 2019 is coming to an end, though, doesn't mean that the Canadian banks are out of the woods. More of the same is expected in the new year, but with that comes muted expectations across the board.

TD Bank has a track record of roaring out of the gate after temporary setbacks. Just look at how unstoppable TD Bank was when it hit bottom during the Financial Crisis! This "bump in the road" we've witnessed over the last year and a half is nothing like the events of 2007-08, it's just a garden-variety credit cycle transition.

There's no crisis to be had for TD Bank, which has been relatively conservative with its loan book. As such, there's nothing for investors to be worried about because TD Bank isn't as "ill-prepared" for credit normalization as some Canadian bank short-sellers make it out to be.

The way I see it, TD Bank is a wonderful business that's 7% off. The stock is caught in a two-year-long consolidation channel and could pop like a coiled spring as soon as next year on a better-than-feared quarter.

For now, slowed growth is a given, but most of the attention will be focused on provisioning and whether management can control its upped expenses. For TD Bank's most recent quarter, provisions were up 33% on a year-over-year basis. That's not ideal, but TD was not the worst in its class for the quarter. Not by a long shot!

TD hasn't been [this cheap](#) in a while, and I don't think it'll stay like this for long, not given the calibre of management. The bank won't be kept down for long, so now is as good a time as any to be a buyer.

Foolish takeaway

With expectations and the valuation now depressed (10.8 times next year's expected earnings and 1.6 times book), I think TD stock is a great bet for investors looking to hold a stock for the next five years.

While 2020 may not be the year that the banks make up for lost time, at current valuations, I think the risk/reward is highly favourable at this juncture.

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