



Why Toronto-Dominion Bank (TD) Stock Price Fell 5.6% in February

Description

In February, Toronto-Dominion Bank stock price was hit by general market weakness triggered by coronavirus fears. Beyond this, there was the underlying fear that the bull market was running its course. With interest rates near all-time lows and consumer debt high, there's certainly reason for worry.

Fears of the potential severity of the coronavirus have ruled the market since February. This continues today, and as I write this article, I am struck by the downside that we are seeing. There will be a time to move in and buy, but in the meantime, the best we can do is just stick it out and wait for the right time.

TD Bank stock is one of those stocks on my watch list. I will continue to wait for the panic to settle and for TD Bank stock price to hit attractive levels. Right now this is a moving target. But let's go back and review in more detail why the stock fell 5.6% in February.

Toronto-Dominion Bank stock price falls on rising provisions

Similar to other Canadian banks, TD Bank has been experiencing a rise in provisions for credit losses (PCLs). In the fourth quarter of 2019, provisions for credit losses were far higher than expected.

While this was no surprise, it was nevertheless concerning. Loan growth slowed, provisions rose, and the efficiency ratio deteriorated. All of these are negative results for the bank after a stellar 2018.

The bank's capital position remains strong but rising provisions are creating pressure. Furthermore, with the recent carnage in stock markets, we can expect deterioration in TD Bank's Capital markets division in 2020.

TD Bank stock price falls on economic concerns

Fears about the effect of the coronavirus have led to fears regarding economic growth, compounding existing fears and leading to the February sell-off in TD Bank stock, as well as markets in general. This

continues today.

But TD Bank remains the Canadian bank with an unrivaled leadership position and a strong history of success, which is reflected in past shareholders returns. Today we are seeing big pressure on TD Bank stock, and I recommend that investors remain ready to buy.

Foolish bottom line

Looking to 2020, we can see that the risks are mounting for the global economy. TD Bank is already [reporting disappointing earnings](#), and earnings estimates are coming down quickly, effectively making the stock more expensive.

The stock price decline is obviously working in the opposite direction. We need more clarity on what to expect in terms of earnings before we can take advantage of these huge price declines.

In closing, I would like to remind Foolish investors of [our belief in holding great businesses for the long term](#). While this belief remains intact, short-term stock price movements often create opportunities to create wealth.

We therefore need to blend this long-term focus with an eye for short-term stock mispricings. Only then can we use both strategies in harmony — and our quest for financial freedom can be fulfilled.

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