Lock in a 5.16% Yield With TD Bank’s (TSX:TD) Stock

Description

Well, *that* was ugly. The week started off with one of the worst days on the **TSX Index** since the 2008 financial crisis. Closing down 10.27%, investors are in full-on panic mode.

First came the initial coronavirus outbreak in China. Then came the Wet’suwet’en rail blockades. COVID-19 then turned global and became a pandemic. Finally, Russia and Saudi Arabia effectively declared a war on oil prices.

The never-ending stream of bad news is enough to send even the most veteran of investors running for the hills. It takes incredible poise and nerves of steel to sit back and do nothing. It takes even more to dive into the market when there appears to be no measure of safety. Not even gold miners were spared from Monday’s collapse.

That said, now is the time to go bargain hunting. As of writing, there may be no greater bargain than **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). The entire banking industry has suffered, but TD Bank’s stock stands out as does its 5.16% yield.

TD Bank yield at multi-year highs

As of writing, Canada’s second-largest bank has lost 21.21% of its value in 2020. Although it isn’t the worst performer, TD Bank’s stock is now trading at the same level witnessed back in 2016 — three years of growth completely wiped out. And 2016 was also the last time the banks saw a significant price drop.

Since TD Bank has consistently grown earnings, it is now trading at ridiculously cheap valuations. At 9.93 times earnings and with a dividend yield of 5.16%, the company hasn’t been this cheap since the financial crisis.

Macro events notwithstanding, TD Bank is well positioned to navigate the current crisis. Following the Financial Crisis, the *Dodd-Frank Act* was passed in an effort to ensure financial sustainability in times of crisis. In short, the Act was created to prevent another financial crisis.

It looks like another crisis has arrived. Although different from the 2008 Financial Crisis, there is no question that COVID-19 will have a massive impact on the global economy.

A once-in-a-decade opportunity

The good news is that banks are now better prepared. In 2008, TD Bank navigated the crisis without cutting the dividend. Although the dividend was kept steady for a number of years, the dividend was maintained. It also rebounded quite nicely and rewarded investors who bought on fear.

As its share price would suggest, TD Bank's stock isn't on the verge of collapsing. We may not see another buying opportunity for another decade. TD Bank is one of the best managed banks in North America with one of the highest growth rates and one of the highest dividend growth rates among its peers.

TD Bank's stock proved to be a good buy in 2008 and again in 2016. It is a good buy today. Locking in a rare 5% yield for this blue-chip bank is an opportunity too good to pass up.

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