Buy TD Bank (TSX:TD) Now or You'll Be Kicking Yourself Later

Description

Canadian bank stocks haven't been this cheap since the Financial Crisis. If you were invested through the 2007-08 market meltdown, you know just how scary things became for Canada's top financial institutions.

With the collapse of the Lehman Brothers, there were worries that the "too big to fail" financial institutions on this side of the border were not as safe as they seemed.

Amid times of economic turmoil, the banks typically have a front-row seat to the declines. But they're quick to bounce back, especially if they're as well capitalized as some of Canada's top dogs like **TD Bank** (TSX:TD)(NYSE:TD).

While the Biological Crisis of 2020 is very different from the Financial Crisis of 2008, the fact remains that banks can suddenly go from dividend darlings to dogs when the market tides turn — and boy, did they turn last week.

Remember, volatility goes both ways

TD Bank bounced 18% in a relief rally on Friday after a historic week of selling across the board, which serves to show that volatility goes in both directions. But many investors forget this in the heat of the moment when the flight or flight response kicks in due to escalating paper losses.

Fortunately, if you missed the bounce, you're getting another opportunity to bag your favourite Dividend Aristocrats like the banks next week. The U.S. market futures are selling off violently in response to the Fed's decision to slash interest rates to zero.

With the Bank of Canada likely to follow suit in the central banks race to zero (and potentially negative) rates, the Canadian banks could have farther to fall. And while it's tempting to wait for a bottom to form, the risk of missing out on a massive bargain is raised when you don't do any buying as the bargains are served up in real time by Mr. Market.

Eventually, a bottom will form, but it's almost guaranteed that you'll miss it. In the longer term, however, you'll still be a major winner from this market crash if you can bag a bargain before a rebound has a chance to kick in.

TD Bank — your go-to banking bet on the dip

The yields have swelled, and even though it may not seem it, the dividends are safe and sound. The big banks are dividend growth kings that will continue to reward investors through thick and thin. If you bought them during the Financial Crisis on the way down, you locked-in a massive dividend yield and substantial gains that followed.

TD Bank strikes me as the biggest bargain because it's still Canada's most premier bank due to its diversified mix of assets and its track record of conservative lending practices. The only difference is that premium has evaporated amid the relentless panic selling.

Sure, the banks have severe headwinds ahead of them that go beyond the current Canadian credit downturn. The coronavirus (COVID-19), plunging oil prices, and zero interest rates do not bode well for Canada's top banks.

And while the perfect storm of troubles may make the banks uninvestible, you can be sure that a bank as robust as TD will still be standing after the storm takes its toll.

TD has a rock solid foundation to weather the storm, and when it comes time to rebound, the name will come storming out of the gate as it did during 2009.

For now, you're getting a premier Canadian bank with a 5.2% yield for 9.2 times trailing earnings. These multiples were unheard of just a few months ago, but now that they're a reality, it's time to start putting your money to work in the name while you're able.

Foolish takeaway

For traders, the banks might as well be toxic. But if you've got an investment horizon that spans years, not months, there's no reason to continue waiting.

Buy incrementally and systematically on the way down. That way, you'll balance your downside risk and risk of missing out on a bargain while taking your emotions out of the equation.

Stay hungry. Stay Foolish.

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Author
joefrenette