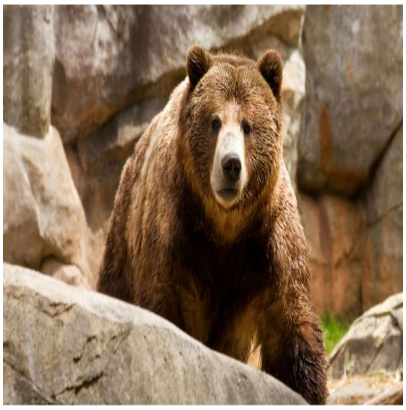

1 Great Bank to Buy During the Bear Market

Description

I was negative on the markets for years because of elevated valuations and relatively low yields. During that time, I planned for the day when a bear market would arrive. I have spent enormous amounts of time situating my portfolio to be ready to buy stocks at deeply discounted prices. Now that day has finally arrived — and I have been putting my plan into action.

On many occasions, I have written that there are basically three types of buying opportunities for value-focused investors: company-specific opportunities, sector opportunities, and fire sale opportunities where everything is chucked out the window together. Right now we are in a fire-sale opportunity with the baby being chucked out with the proverbial bathwater.

Banks are at the epicentre of the meltdown, both here in Canada and abroad. This is not without good reason. If we are heading into a recession, then it stands to reason that the banks will not be unscathed by the economic fallout.

They are the ultimate cyclical company, depending on the health of the consumer to drive their earnings growth. If the consumer is in trouble, the banks will also suffer.

A great dividend bank

Over the long term, though, Canadian banks have been a winning proposition. With yields this high, you should go for the best. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is the one you should be looking at to start to build a position in the early innings of this game. This bank is a diversified powerhouse and will likely continue to push forward in the years to come.

With the recent fall in mind, TD bank is now yielding in excess of 5%. This is an extremely rare event for this bank, which frequently doesn't get this high. The bank also has a habit of increasing its payout every year.

TD may pause dividend growth if the recession is large and drawn out, but over the long term, the bank will likely continue to pay and raise its payout.

TD has grown throughout Canada and the United States, with a large portion of its earnings coming from that country. Overall, this diversifies its earnings away from the highly indebted Canadian population, thereby limiting its overall exposure to the precarious Canadian housing market.

The Foolish takeaway

I want to be clear: I don't think a bull market is close to coming back. Personally, I would expect the global economy to languish for the next six months or more as bad debts are gradually worked through the system.

There may be more nasty surprises ahead given the severity of the market drop is almost certain to have caused some damage to which we are not yet privy.

But in the same manner, as my preparation was for the bear market, my preparation for the next bull will be equally long. We don't know when the bull will begin again, but we *know* it will begin someday.

Put a strategy in place so you know what you will do when the bull roars once again. TD is one bank you can start picking up now so you will be prepared to capitalize on growth when it resumes.

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