Market Crash Alert: TD Bank (TSX:TD) Stock Has Plunged 20%

Description

With the one-two punch of plunging oil prices and the global COVID-19 pandemic, shares in Canadian banks have been hammered in this market crash.

Fortunately, banks today are on much stronger footing than during the financial crisis of 2007 to 2009. To make sure there is no repeat of the liquidity scare we experienced during the Great Recession, there have been changes made to banking policies, ensuring they retain adequate capital.

Unfortunately, Canadian banks are especially vulnerable to the volatility of the oil industry due to their exposure in this sector. One bank, however, offers greater geographic diversification than other Canadian banks.

With approximately 33% of its earnings coming from its presence in the U.S., **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), has less exposure to the oil and gas loans and declining consumer credit than many other Canadian financial institutions.

TD Bank is successfully navigating the market crash

In an April 6th interview with *BNN Bloomberg*, CEO Bharat Masrani offered his thoughts on how TD Bank is successfully navigating the market crash. According to Masrani, TD is on the front lines of this crisis, and its top priority is to make sure that Canadians and Americans benefit from the government stimulus programs.

Among the most popular parts of the government aid package, mortgage deferral is a welcome relief for many Canadian mortgage holders. There has been a massive uptick in the number of applicants for mortgage relief. As of April 5, TD had processed more than 75,000 applicants within the system. Of these applicants, 99% have been approved.

TD has maintained a program for many years to work with clients to help their small businesses succeed. Masrani believes the government is doing the right thing by offering aid to small businesses during this time of crisis.

TD’s commitment to continuing dividend payments during the market crash

The bank has a tradition of paying their committed dividend even during tough times, including the Great Recession. Masrani contends that TD has no plans to change the dividend policy.

As of this writing, shares of TD are trading at $58.98, with a dividend yield of 5.36%. The stock is down approximately 20% year to date. Shares of **BMO**, **Scotiabank**, and **CIBC** are down 28%, 21%, and 23%, respectively, over the past year.

TD was ready for the crisis

TD entered the market crash very well capitalized. The bank ended the fiscal year 2019 with a 12.1% Common Equity Tier 1 (CET1) ratio. Established in 2014, the CET1 is a precautionary means to protect the economy from a financial crisis. TD handily beats the required minimum CET1 ratio of 4.5%.

The bottom line

With the coronavirus still not contained, no one knows how deep or how long this economic crisis will last. If we can get back to some degree of normal business in the next quarter, there is the possibility of a V-shaped recovery. In a V-shaped recovery, the economy suffers a drastic, but relatively brief period of economic decline, followed by a strong rebound.

Likewise, no one knows how long the volatility in the oil sector will last. TD’s large presence in the U.S., which is less dependent on Canada’s oil industry, and its high liquidity coming into the crisis make the stock a great long-term play.

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