Market Crash Alert: TD Bank (TSX:TD) Stock Just Plunged 22%

Description

The 2020 market crash isn't going to be quick. Even top dividend stocks like **Toronto-Dominion** (TSX:TD)(NYSE:TD) stock have plunged 22% from its 2020 high despite recovering more than 13% from a low.

As if the impact of the pandemic isn't enough, the North American economy had to be hit by ultra-low oil prices due to an oil price war between Saudi Arabia and Russia.

At writing, the West Texas Intermediate (WTI) oil price sits at just shy of US$27 per barrel. That's absurdly low compared to the normal oil price of about US$50 in the past five years.

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Market crash not done yet

Energy prices aside, the market crash is more driven by slow economic activities due to lockdowns. However, these lockdowns are necessary to help save lives down the road. They encourage social distancing, staying or working at home, and doing take-outs at restaurants, which should substantially slow down the spread of the virus.

Unfortunately, it means immediate damage to the economy. Many businesses are operating at limited capacities, which translates to mass layoffs across the country.

Despite the Government of Canada announcing an $82-billion COVID-19 economic response plan in March to support Canadians and Canadian businesses, it did little to lift consumer confidence. Therefore, the bear market is likely to continue for an extended period.

According to Nanos Research, Canadian consumer confidence has dropped to its lowest levels in 12 years. And Canadians are expecting things to get worse over the next six months.

Canadians and businesses are therefore going to spend less in the near to medium term. An ailing economy will continue to fuel the market crash and won't bode well with the results of banks like TD Bank.

The rare pandemic situation is similarly affecting the U.S. as well. So, this time, TD's meaningful exposure to the typically higher-growth U.S. economy won't save the stock.

Lockdowns won't lift until the curves flatten. Sad to say, the curves on both sides of the border in North America aren't flattening at this time. They have worked in other countries, and they will work in Canada and the U.S.

However, these lockdowns take time to take effect. Additionally, they require the cooperation of everyone to conform to social distancing, staying at home as much as possible, handwashing properly, etc.

TD stock is still a top dividend stock to buy

Despite all the doom and gloom, however, TD stock remains one of the best dividend stocks one can buy in this market crash.

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TD Bank has a long-term track record of stable earnings and dividends. Its dividend is more than five times greater than in fiscal 2001. Moreover, its payout ratio is relatively low compared to its Big Six Canadian bank peers. It was about 43% last year and therefore has a greater margin of safety to protect its dividend.

In a BNN interview, TD Bank President and CEO Bharat Masrani stated that he expects no change to the bank's dividend policy, which should give investors confidence that TD stock's juicy yield of about 5.4% remains safe.

That said, investors should be prepared for no dividend increases in the near future should the bank take the prudent approach as it did coming out of the last bear market. Specifically, during fiscal 2010, the stock maintained the same dividend.

The Foolish bottom line

Over the next few weeks but more likely months, the economy will likely worsen. Investors should therefore opt to opportunistically add to their most high-conviction stock ideas. One may be TD Bank, which is one of the best Canadian bank stocks to invest in for the long haul.

For massive wealth creation, also consider investing in high growth stocks during this bear market.

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