TD Bank (TSX:TD) Is a Buy Before It Heads Back to $80

Description

Any time you're given an opportunity to buy **TD Bank** (TSX:TD)(NYSE:TD) stock at a discount, you should load up before a V-shaped rebound can sweep the bargain away.

The Canadian banks as a whole are well-capitalized, and as one of Canada's more premier players, TD Bank is far less risky than its peers when crises inevitably happen, and everything falls back to the big banks. Let's not sugar-coat the situation for the Canadian banks.

They were under a considerable amount of pressure well before the coronavirus wreaked havoc on the economy. Loans were souring as a part of a long overdue natural credit down cycle in Canada. The coronavirus and breakdown of OPEC+ severely exacerbated the pains of the big banks.

Last year, many analysts believed that 2020 would be a year of recovery for the Canadian banks, but little did they know that it would be drastically worse due to some unforeseen black swan events.

Regardless, the Canadian credit downturn served to help the already well-capitalized Big Six banks restructure and prepare for the credit down cycle storm that's since evolved into a catastrophic hurricane. This isn't the first time TD Bank has been faced with a crisis, and it certainly won't be the last.

Fortunately, TD Bank's aura of conservative practices will minimize the bleeding in the downturn while allowing it to come roaring back when credit normalizes, and we enter the expansionary phase of the economic cycle.

TD Bank: A top dog that should be a preferred choice of Canadian investors

Chris Liew, my colleague here at the Motley Fool recently reminded investors that TD Bank is a top dog had been through tough times before, standing tall during even the most unprecedented of times.

"TD survived the 2008 financial crisis because it did not blow the bank over. The second-largest bank in Canada did not do any subprime lending. It stood tall and was the only company to report revenue and income growth during the meltdown." said Liew. "TD sacrificed short term to ensure its balance sheet remained healthy."

In a prior piece, I also drove home the point that TD was a king among men because of its ability to sustain rich returns without putting its investors at risk by being too lax when credit was easy.

TD's management really deserves a gold star, not only for its stellar performance in good times, but also because of its impeccable ability to mitigate risks.

TD's stellar risk management approach will allow the bank to lead the next upward charge while many of its peers look to learn from mistakes that TD management never allowed itself to make in the first place.

While the big Canadian banks will likely all decline together, they will not all rise at the same rate, as we witnessed during the Financial Crisis. The premier players like TD will bounce back a lot quicker, while some of its less-than-stellar peers will drag their feet when the next bull market is born.

Foolish takeaway

In times of turmoil, price-to-book (P/B) is the ratio to look at when evaluating the big banks. At the time of writing, TD Bank sports a compelling 1.3 P/B, which is the lowest it's been since the last crisis.

The stock is too cheap to pass on — and should be bough now before the 5.3% yield reverts below 4%.

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