



## TD Bank (TSX:TD) Could Soar in a Canadian Bank Comeback

### Description

The Canadian banks are on firm financial footing amid the coronavirus crisis, and **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) is arguably one of the best-equipped banks to continue rolling with the punches as they come along.

The Canadian credit downturn was the first punch thrown at Canada's banks. And with the second punch of the coronavirus crisis poised to induce further credit losses, specifically within the commercial and unsecured loan segment, investors should look to more conservative, higher-quality lenders like TD Bank to ride a potential recovery in the hard-hit Canadian banks, instead of a name like **CIBC**, which appears to have prominent sore spots in its loan book.

TD Bank tends not to get *too* aggressive with loan growth at times when credit is easy. I guess you could say TD Bank has prudence and risk-averse practices ingrained in its corporate governance.

TD Bank's risk-averse approach has allowed the bank to navigate through the Financial Crisis and come roaring out of the gate on the back of the new bull market. And this time, I believe, will be no different for Canada's second-largest ([and most American](#)) bank, as it looks to recover from the devastating pandemic that blindsided the global economy.

## TD Bank will be among the first to come roaring back when the time comes

Whenever an economic downturn happens, the dominoes tend to fall all the way back to the banks. Loans start to sour, interest rates fall, and lower loan growth at meagre margins make the banks seem uninvestable, as they plunge faster and harder than the broader markets.

While the outlook will remain bleak over the next two years, I think it's a mistake to count the Canadian banks, especially high-quality lenders like TD Bank, out of the game after they've fallen as hard as they have. By the time there's evidence of a recovery, your chance to bag a banking bargain would have come and gone. Just have a look at TD Bank stock in 2009, and you'll see just how sharp the name

can bounce off its bottom.

That's not to say that the Canadian banks are out of the woods yet, though.

## TD Bank: Go for quality if you're looking to play a Canadian bank comeback amid the turmoil

Uncertainties remain sky high, and there are fears that the unprecedented economic collapse could cause [a repeat of the Financial Crisis](#) — a time when the capital adequacy of the top financial institutions was put to the test.

Over the coming months, we'll learn more about the extent of the economic damage. And if the coronavirus ends up being the pin that pops the Canadian housing market bubble, there's absolutely no question that the banks (including the cream of the crop) could face more downside before the real recovery happens.

Heck, some bears are of the belief that some banks may need to do the unthinkable and take the axe to their dividends.

### Foolish takeaway

Nobody knows just how ugly things could get from here. That's why investors should opt for quality with a name like TD Bank, which I view as more likely to hold its own should things get worse relative to the likes of the higher-yielding CIBC. CIBC is more vulnerable to a collapse in the Canadian housing market and could prove to be among the slowest to recover if a bear case does play out.

Stay hungry. Stay Foolish.

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**Author**

joefrenette

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