TD (TSX:TD) Is a Screaming Buy Today

Description

TD (TSX:TD)(NYSE:TD) hasn't been this battered since the depths of the Financial Crisis, when many questioned the stability and solvency of the entire financial system. While TD and its peers may not be at "ground zero" of the coronavirus crisis, you wouldn't know it from looking at their hideous stock charts.

Canadian banks are still very much investible despite massive headwinds

When the economy crumbles, the banks always end up getting dragged down. Loan growth nosedives, margins thin, and bad loans swell. Nobody said that investing in Canadian banks would be smooth sailing. They tend to lead the downward charge at the first signs of trouble. Everything falls back to the banks. For investors, it's tough to get out of the way and limit damage when a crisis hits.

Bank stocks may seem like too much to handle for risk-averse investors at this juncture. But I'd argue that for those with a long-term time horizon, it's tough to beat the value proposition banks offer, even in the midst of this crisis.

The Big Six banks are still dividend kings, after all. They give investors a chance to lock in a swollen yield alongside substantial capital gains when the economy finally has an opportunity to turn. Although they're among the first to fold at signs of trouble, banks are also among the first to come roaring back in a new bull market. As such, investors would be wise to consider backing up the truck with some of Canada's premier banks, like TD, while they're heavily discounted.

Canadian banks look severely undervalued but pick your spots carefully

If you're looking to buy and hold a stock for the next 5, 10, or 20 years, odds are you'll probably dovery well by picking up shares of any bank stock today. They're all trading at crisis-level depths.

There could be much more pain in the cards over the near term. In a worst-case scenario some vulnerable banks could implode like the airlines. In almost any other alternative outcome, though, the Canadian bank stocks could prove to be severely undervalued right here.

It's tough to value bank stocks today; there's no doubt about that. If you are looking to place a bet on the sector while minimizing your risks, it may be wise to steer clear of banks like **CIBC**, which have prominent sore spots (overexposure to the Canadian housing market) that could prevent it from recovering should worse come to worst.

TD is the best bank for your buck in the face of the coronavirus

I believe a more conservative lender like TD is better positioned to recover once it's time for the banks to bounce back. It's in a better spot thanks to various structural advantages that many of its peers lack. TD has a superior deposit mix, less exposure to uninsured domestic mortgages, and less exposure to the oil and gas (O&G) industry.

TD stock could still get pummelled in the event of a housing market meltdown or a complete decimation of the Canadian energy sector. But it will be one of the Canadian banks still standing should any of its more vulnerable peers fall to their knees.

Foolish takeaway

TD is a best-in-breed bank that is one of the best-positioned Canadian financial institutions to survive the coronavirus crisis. It appears to be the best Canadian bank for your buck while shares trade at just 1.2 times book.

If you're a long-term investor, I'd lock in TD stock's 5.8% dividend yield, even in the face of profound coronavirus-related uncertainties. TD is a safer bet that will not blow-up if the coronavirus isn't done wreaking havoc on various sectors of the Canadian economy.

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