



ALERT! TD Bank (TSX:TD) Stock Is a No-Brainer Buy

Description

Last month, I'd discussed why bank stocks were in a [tough spot](#) due to the COVID-19 pandemic. Real estate has practically been put on hold on a national level. Over 11 million Canadians have applied for the Canada Emergency Response Benefit (CERB). Worse, the unemployment rate has climbed to its highest point since the 1980s. Regardless, I'm taking a hard look at **Toronto-Dominion Bank** ([TSX:TD](#)) ([NYSE:TD](#)) stock right now. Back in late February, TD Bank looked discounted. Today, I want to explore why it is a buy ahead of its next earnings report.

TD Bank: The story so far

Shares of TD Bank have dropped 19% in 2020 as of close on May 20. The stock has been mostly flat over the past month. It has not been the only bank stock to struggle. Canadian bank stocks have been hit hard across the board. Investors should expect more turbulence as Canada's top financial institutions are set to release the next batch of earnings.

The bank had a promising start with the release of its Q1 2020 results on February 27. Its Canadian Retail banking segment put together a fantastic performance, as net income rose 30% year over year to \$1.79 billion. However, TD's typically strong U.S. Retail banking segment posted an 8% decline in net earnings to \$1.14 billion. Loan and deposit growth were solid but offset by weaker margins.

Investors should not expect these trends to reverse in the near term. The Canadian and U.S. economies have been throttled due to the COVID-19 pandemic. Moreover, banks will be forced to eat worsening margins, as central banks have moved to ease monetary policy in the face of historic economic turbulence.

Banks are still a good long-term bet

Despite this grim reality in the near term, investors should have faith in Canada's banks as we look forward. TD Bank still possesses a flawless balance sheet and is one of the top two largest financial institutions in the country. The Canadian and U.S. economic re-opening is occurring on a regional

level. Regardless, there is reason for optimism in the latter half of the year. TD Bank and its peers will be forced to swallow a bitter pill in Q2 and likely Q3, but analysts are projecting that the rebound will be fully underway by the fourth quarter.

Evaluating the stock before earnings

TD Bank is set to release its second-quarter 2020 results on May 28. Investors should expect a significant dip from Q1 2020, but this may also present opportunities to add at a discount. Shares of TD Bank last had a very [favourable price-to-earnings ratio](#) of 8.6 and a price-to-book value of 1.2.

In its previous quarterly report, TD Bank increased its dividend payout by 7%, or \$0.05 per share. The bank stock now pays out a quarterly dividend of \$0.79 a share, representing a strong 5.5% yield. TD Bank offers enticing value, a tasty dividend yield, and promising earnings growth for the long haul. To top it off, the bank possesses an immaculate balance sheet. Investors should look to add these profit machines on the dip in the spring.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date

2025/10/01

Date Created

2020/05/21

Author

aocallaghan

default watermark