



Is Toronto-Dominion Bank (TSX:TD) Stock a Buy After Earnings Miss?

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) stock got hit after they reported a disappointing earnings result. Is this a harbinger of things to come? Investors may be wondering if one of Canada's biggest and most respected banks is heading for trouble. But is all of this already priced into the stock?

There are no easy answer to these questions. The duration of this pandemic and of this shutdown are key variables necessary to answer them. But [uncertainty is high and visibility is low](#). We do not know how long this will last or how the return to "normal" will look.

Toronto-Dominion Bank earnings miss does not change the buy case

Second-quarter earnings per share at Toronto-Dominion Bank was \$0.85, which was 4.5% lower than expectations as provisions skyrocketed. But this does not change the fact that the TD bank franchise is a top-quality one. The bank benefits from a diversified business mix and North American scale. This is all underpinned by a strong risk culture.

TD bank has an industry-leading ROE, and a conservative approach that mitigates risk. The duration of this pandemic and its economic effects is unknown. But the government is injecting liquidity into the economy and Canadian banks remain essential to the proper functioning of the economy.

Toronto-Dominion Bank stock valuation at trough levels

Trading at 1.2 times book value, Toronto-Dominion Bank stock is increasingly attractive. Although provisions for credit losses rose significantly this quarter, TD Bank remains resilient. The stock has fallen 17% year to date. It has recovered impressively from March lows. Up over 22% since these lows, investors who bought when it was most stressful to do so are looking good.

There's good reason to buy Toronto-Dominion Bank stock even amid this difficult environment. TD

entered this crisis with significant capital and liquidity. This bank has built long-term relationships with its customers and intends to stand by them through the good and bad times.

TD Bank stock is yielding a very attractive 5.24%. This bank is one of the top Canadian banks. Buying the stock today would be a good long-term move. At the same time, there is uncertainty and elevated risk, which means we should be ready for more difficult times. The economy has taken a huge hit and things will probably get worse before they get better.

But as we know, stocks trade on expectations. The pandemic will begin to subside and the economy will reopen. The second this begins to happen, investors will push stock prices higher. The stocks will react before the improvements show up in the bank's results.

So if you believe in the long-term prospects of TD Bank, pay attention. Every difficult period brings with it opportunities. Use TD Bank stock price weakness to buy this top bank stock.

Foolish bottom line

Investors can feel confident about the long-term future of Canadian banks. These banks all abide by very conservative regulations that ensure their financial viability through thick and thin. Today, all Canadian bank stocks, including Toronto-Dominion Bank stock, are [providing very generous yields](#).

As the economy slowly opens up, the banks have big upside. TD Bank stock also has good downside protection from its strong business and conservative financial management.

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