



Buy Alert: TD Bank (TSX:TD) Stock Just Popped 25%

Description

Several banking stocks have rebounded in the last three months. Shares of Canada's banking giant **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) are trading at \$61.94 at writing. This is 25% above its 52-week low of \$49.01. Despite the recent market rally, TD Bank stock is still trading 21% below its 52-week high.

A few experts believe another market crash is on the way. This V-shaped recovery has surprised market participants. However, we know that it's impossible to time the markets and every correction should be viewed as an opportunity to buy quality stocks at a lower valuation.

Canada's unemployment rate stands at 13.7%, up from less than 6% at the start of 2020. As businesses were shut, consumer spending dipped and economic activity came to a grinding halt. The companies in the energy sector were further hit by oversupply and an oil price war between Saudi Arabia and Russia.

Canadian banks have huge exposure to the domestic energy sector. Rising unemployment rates and fears of an economic slowdown have increased the risk of mortgage and corporate defaults. We can see why TD Bank stock and peers have underperformed the broader markets in 2020.

TD Bank has an attractive dividend yield

Whether the market crashes or moves higher, TD Bank should be on the radar of equity investors. TD stock has a forward dividend yield of 5.1%, which means an investment of \$10,000 will generate annual dividends of \$510.

In the first quarter, TD Bank was one of the few companies that increased its dividend payout despite an uncertain macro environment. We [can see here that](#) TD Bank's increased its quarterly dividend from \$0.74 to \$0.79, a rise of 6.76%.

In case the market corrects from current levels, there is a possibility for TD stock to trade near its 52-week low of \$49, increasing its dividend yield to a tasty 6.4%. If the economic recovery is delayed, TD

bank might not increase its dividends in the next few quarters. However, a dividend cut remains highly unlikely.

The Canadian banking heavyweight has [increased or maintained its dividends](#) for over two decades, which includes the financial crisis of 2008 when banking companies were pummelled to dust.

The banking company is conservative and has a strong balance sheet

TD Bank is fiscally conservative and well diversified with a huge presence in the United States. It is one of the top picks for long-term investors given its low valuation, dividend yield, and a robust balance sheet.

TD Bank stock is trading at a multi-year low. Its price-to-sales ratio of 2.65 and price to book multiple of 1.25 is reasonable. TD stock has a forward price-to-earnings multiple of 12.5.

During the last earnings call, TD management confirmed that it provided financial support to 800,000 customers and deferred payments on \$62 billion in loan balances as of April 30. It also increased gross lending exposure by \$23 billion in the fiscal second quarter of 2020.

TD has provided liquidity support to corporations and government clients, which will mean the company's bottom line will take a hit.

While analysts expect company earnings to fall by 30% in 2020, it's expected to rise by 21.3% in 2021. The upcoming results will shed more light on company financials.

In case TD stock moves lower in the next month, you can look to purchase this financial giant at a low multiple.

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