Buy Toronto-Dominion Bank Stock (TSX:TD) As the Unemployment Rate Improves

Description

Toronto-Dominion Bank (TSX:TD)(NYSE:TD), along with Canadian bank stocks in general, thrive when unemployment levels are healthy. But the coronavirus pandemic has hit the unemployment rate hard.

With this, Canadian bank stocks including Toronto-Dominion Bank stock have understandably also been hit. In March, TD Bank stock hit a low of $49.28. It was down 32% year to date at that point. But since then, much has happened. TD Bank stock is now trading at $61.80, which is 15% lower year-to-date.

Toronto-Dominion Bank stock offers long-term value today

TD Bank stock has a difficult year or two ahead of it. But we can see light at the end of the tunnel. Last week we got a welcomed update from Statistics Canada. While the unemployment rate remains high, job gains were made in every province. This represented the first increase since the coronavirus shutdown, and this trend may very possibly continue as Canada continues to successfully limit the spread of the virus.

Of course, with continued easing of the lockdowns and restrictions there is always the possibility that the virus will gain ground, but I think we can feel confident that Canadians can manage this. Face masks are increasingly becoming mandatory in various regions. If we look at some of the countries who have managed to emerge from lockdowns successfully, we see a pattern.

Safeguards are respected, contract tracing is pursued, and wearing masks is a way of life. And the better the virus is controlled the better the unemployment rate will be.

Against backdrop, the economy and Canadian banks will slowly emerge out of the darkness. Toronto-Dominion Bank stands out for its years of success in driving efficiencies. The bank has an industry-leading ROE and a conservative approach that mitigates risk.

For example, TD Bank adheres to strict controls with regard to lending practices. This pays off big, especially in the bad times. And these are bad times.

TD Bank stock is supported by its safe and generous dividend yield

As the Canadian unemployment rate continues to improve, bank stocks will continue to be supported. Banks like TD Bank will play a big part in our economic recovery. They will continue to support growth and new businesses that emerge out of this crisis.

TD Bank survived the 2008 crisis, as it will survive this crisis. The coronavirus will eventually pass. With the help and support of the government, the economy will get back on its feet. Banks like TD Bank will survive today and thrive tomorrow.

In its December 2019 quarter, TD Bank was still increasing its dividend. Although this 7% dividend hike will be the last one for a while, investors can take solace. The bank was performing exceptionally well until the end of the year.

TD Bank's dividend is now a healthy 5.11%. The bank will continue to struggle with increasing provisions for credit losses as the unemployment rate remains high. But there is strength there. TD is very well capitalized and it is receiving help from the government.

Foolish bottom line

As the Canadian unemployment rate continues to improve, Toronto-Dominion Bank stock will perform well. As one of Canada's most successful banks, TD has shown its worth over the years. Investors who buy TD Bank stock today will not regret it five years from now.

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