



1 Stock That Is Absurdly Cheap Right Now

Description

The Canadian market may not have completely rebounded yet from a 30% crash earlier this year, but many companies definitely have. The **S&P/TSX Composite Index** dropped an astounding 30% in just over one month, and now the index is down about 5% on the year.

Considering the drastic market crash earlier this year, being down 5% year to date can be viewed as a testament to the strength of the market. But while the broader market trying to reach pre-COVID-19 prices, certain industries have blown past all-time highs over the past several months.

Technology is one industry that has seen many companies witness a surge in stock price throughout this pandemic. As the majority of the globe has been enforcing some level of social distancing since March, the dependence on technology has increased dramatically.

Are banks a value play or a value trap?

Unfortunately, not all industries have rebounded as well since the market began its bull run at the end of March.

The major banks in Canada have seen profits slashed over the past couple of months as interest rates are alarmingly low today. The impact of the decrease in interest rates can be seen directly in the stock performance of the Big Six banks. With a real possibility that interest rates will not be raised anytime soon, bank stocks are understandably not the most attractive investments on the market today.

For short-term traders, I can understand why investors may prefer the tech industry over bank stocks. But for the long-term Foolish investor that has at least a 10-year time horizon, I believe bank stocks deserve Canadian investor's attention.

I've covered one of Canada's Big Six banks and highlighted why I believe it is undervalued today. If you're looking to add a financial stock to your portfolio, I'd highly suggest taking a deeper look at this bank, as long as you're willing to hold for the long-term.

Toronto-Dominion Bank

Valued at a market cap of roughly \$110 billion, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank. The bank provides both retail and commercial bank services to customers spread across North America.

A major reason why I'm considering picking up shares of TD is for its [exposure to the US economy](#). More than 30% of the TD's net income is driven by US locations, and the bank is already considered a top-10 bank in the US, based on total asset size.

While I'm bullish on the long-term growth prospects of TD, this analysis wouldn't be complete without looking at the valuation of the bank today.

Traditional valuation metrics P/E (price-to-earnings) and P/B (price-to-book) highlight how [undervalued the stock is today](#). TD is trading at a P/E just over 10 today, in comparison to trading above 12 over the past two years. The P/B today is just over 1.25, in comparison to hovering around 1.5 for the entire 2019 year.

Foolish bottom line

Bank stocks may not be the most exciting industry to invest in today, but I believe the undervalued banks will prove to be solid long-term bets.

Especially if interest rates are not raised for another couple of years, it may be a slow road to recovery. But if you're a patient Foolish investor that has a time horizon of more than 10 years, TD is definitely one bank that I would give serious consideration to today.

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1. Bank Stocks
2. Investing

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