1 Stable Stock Due for Explosive Gains

Description

Banking stocks have had a bad rap lately. These companies fared as some of the best in the world during the last economic downturn, yet many are still wary to buy them up. In fact, during the Great Recession, Canadian banks were almost all back to pre-crash prices within a years' time.

Take the Big Six Banks in Canada. While some are large, the share price isn't exactly where it should be. Some of them have rebounded to almost pre-crash levels, but that could mean another crash is due. With many asking where they should put their money to prepare for another downturn, it's time to take a good look at one winning bank.

TD Bank

Of all the banks out there, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is the one that's most due for a long-term surge. The bank isn't immune to the current economic situation, far from it. Even with the warnings that a downturn was on the way, the company preparing for some kind of crash, there was nothing to prepare it for a pandemic.

So today the bank has been hit by a pandemic, a housing crisis, and everyone needing to hoard as much cash as possible. This means fewer loan repayments, fewer investments, fewer, well, everything. And what's worse, it's likely not over yet. Analysts predict there could be further dips down the road.

We could also see further waves of the coronavirus, which means TD Bank could still have a long climb before seeing a surge.

However, it's not alone. This should happen for all the banks. And the good news is the worst of it could be over on both sides. People, governments, businesses all now know how to handle the coronavirus. So the next few waves should be smoother.

It also means further market dips shouldn't be as severe, meaning companies could even start taking on loans and making larger payments again.

Bank performance

Let’s get the bad news out of the way. TD Bank diluted EPS of $0.80 for the second quarter, almost half of what it was the same time last year. This continued much the same for reported net income at $1,515 million, almost half from last year, and brought diluted EPS to $2.42 from $2.97 for the year.

But management remains optimistic, largely because of its investments. Part of these investments include its new wealth and commercial management sector, where the company has seen a huge increase in revenue. In a recent study, of those making $150,000 per household, only 3% lost their jobs during the pandemic. So that’s a lot of wealthy people still able to at least make investments and seek guidance.

On top of that are the investments in the United States, where TD Bank is now one of the top 10 banks in the country. Although the virus might keep the country from full recovery longer than most, it still should rebound financially quicker than other countries. So this investment should reap significant rewards after a recovery.

Bottom line

There is still a potential upside of about 20% to reach a pre-crash share price for TD Bank. But with these investments, TD Bank should rebound as quickly or quicker than its peers. Honestly, its share price doesn’t fit compared to its other top six peers that are near $100 per share.

Over the next few years, if TD Bank can rebound like it has in the past, investors could see a huge surge in share price. While they wait, investors can also receive a solid dividend yield of 5.11% as of writing.

How good could it be? Looking at the last recession shares grew by over 300% from trough to pre-crash levels. That could turn a $10,000 investment into almost $80,000 in just over a decade.

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