



Cheap Bank Stocks: TD Bank (TSX:TD) and Another Name I'd Buy Right Now

Description

TD Bank ([TSX:TD](#))([NYSE:TD](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) have been dealt a tough hand over the last few years. The rare Canadian credit downturn sent them into a prolonged period of consolidation, as investors geared up for what looked to be a garden-variety economic slowdown with a high chance of a mild recession. The yield curve inversion called for it, after all!

Short-sellers were keen on betting against the Canadian banks, noting of their ill-preparation for the “rockier” environment that lied ahead. Little did they know that the Canadian credit slump was just an appetizer for the pain that was to come.

The COVID-19 pandemic wreaked havoc on various areas of the world economy, sending banks into a tailspin amid the COVID-19-induced sell-off. Both TD Bank and Bank of Montreal crumbled like a paper bag under the panic-driven selling pressure that caused a cash crunch before the U.S. Fed came to the rescue.

Indeed, the COVID-19 pandemic acted as salt in the wounds of the Canadian banks, and while it seems like they took a brutal one-two hit on the chin, I'd argue that the 2019 wind-down was a good chance for Canada's banks to better prepare for black swan event just lurking around the corner.

Headwinds mounting

Bank of Montreal had a chance to restructure itself amid the weakening of Canadian credit. And while loan losses are still surging as a result of the pandemic, things could have been much worse had BMO not made moves to batten down the hatches late last year.

TD Bank also had its own share of restructuring charges in late-2019, as it looked to better navigate the rougher waters that would soon evolve into a typhoon.

With restructuring and integration expenses, decaying bottom-line numbers, and a slew of other things to worry about, there hasn't been much to get excited about with the banks these days. They've been in a slump for nearly three years now.

All you'd hear about in the mainstream media is news about provisioning, lower loan growth, and lower margins. The pandemic has only served to severely exacerbate the negativity that the banks were already facing.

Time to put on your contrarian hat when it comes to Canada's banks?

Warren Buffett recently boosted his stake in his favourite U.S. bank amid growing pandemic pressures. I'd say now is a great time to follow his lead in some of your favourite Canadian bank stocks while they're still severely depressed relative to the broader market indices that have almost fully recovered from the COVID-19 crisis.

To me, Bank of Montreal and TD Bank look to be the best Canadian banks for your buck.

BMO led the downward charge on the [COVID-19](#) sell-off because of its less-than-optimal loan mix to firms that have been most impacted by the pandemic. As a Dividend Aristocrat that hasn't missed a [dividend](#) payment in nearly 200 years, though, investors shouldn't fret about the potential for a dividend cut, as BMO is still very well positioned to weather a bear-case scenario with this pandemic.

Once the tides turn and the economy bounces back as fast as the stock market, BMO shares could correct to the upside, right back to \$100 at the drop of a hat.

TD Bank is a premium bank that's very well managed. With more U.S. exposure than its peers in the Big Six, it's expected that it will be more exposed to COVID-19-linked loan losses. Regardless, TD Bank is built to survive crises and come out on the other end roaring.

If you're looking for a wonderful long-term business at a nice discount, now is as good a time as any to back up the truck.

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2. NYSE:TD (The Toronto-Dominion Bank)
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