



TSX Investing: Should You Buy TD Bank (TSX:TD) or Scotiabank (TSX:BNS) Stock Today?

Description

Canada is expected to release more economic data in the days ahead. Jobs numbers in June were better-than-expected, but the economy is still in the muck due to the COVID-19 pandemic. Today, I want to look at two top Canadian banks for **TSX** investors.

TSX investors: Are bank stocks too risky?

Back in July, I'd discussed whether [bank stocks](#) were discounted or dangerous. Indeed, the top bank stocks on the TSX have failed to recoup their losses from the market crash earlier this year. Now, many investors are anxious about a second correction. Instead of speculating on broader events, let's take a snapshot of the two top banks below.

The case for TD Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is the second-largest financial institution in Canada. Shares of TD Bank have dropped 15% in 2020 as of close on August 4. Back in May, I'd suggested that this stock was worth stashing as it [still looked undervalued](#).

Investors can expect to see the bank's third quarter 2020 results in late August. In Q2 2020, TD Bank saw provisions for credit losses balloon while revenues and earnings took a significant tumble due to the pandemic. The story was the same for its peers. TD Bank boasts a huge United States presence – the largest of its peers.

Early on, it appeared that the U.S. would accelerate its reopening as soon as the late spring. However, a spike in cases has forced policymakers to press pause in several top states.

This makes TD Bank a tough TSX stock to judge. Its shares last had a price-to-earnings ratio of 10 and a price-to-book value of 1.2, putting it in solid value territory. Moreover, it offers a quarterly dividend of \$0.79 per share. This represents a strong 5.3% yield.

Should you pick up Scotiabank?

Scotiabank ([TSX:BNS](#))([NYSE:BNS](#)) is sometimes referred to as “The International Bank” due to its large global footprint. This TSX stock has dropped 21% so far this year. Scotiabank is also expected to unveil its Q3 2020 results later this month.

In Q2 2020, Scotiabank faced the same challenges that TD Bank did. On the plus side, Scotia’s Global Banking and Markets segment reported net income of \$523 million, up 25% from the prior year. Its earnings in this segment were powered by higher net-interest income, non-interest income and the favourable impact of foreign currency translation.

Scotiabank stock last had a favourable P/E ratio of 9.1 and a P/B value of 1.0. Better yet, Scotiabank has maintained its quarterly dividend of \$0.90 per share, representing a tasty 6.5% yield. So, which is the better buy for TSX investors today?

The verdict for TSX investors

Both bank stocks offer solid value in early August. However, I’m targeting Scotiabank over TD Bank. It wins out for its superior dividend and because TD Bank’s advantage south of the border has taken a hit due to its struggle with COVID-19 cases.

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