



Better Buy: Sun Life Financial (TSX:SLF) or Toronto-Dominion Bank (TSX:TD)?

Description

Amid the coronavirus pandemic, the current economic environment is a difficult one. It is affecting all stocks in general and certainly all financial stocks. This includes **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)).

While stock prices have rebounded really nicely since March, we should prepare for further weakness ahead. Market expectations may have disconnected from the realities of the difficult environment. Investors should have a list of stocks to buy when this weakness comes. This list should be a well-diversified list of top stocks that will thrive in the long run.

So, which financial stock is a better buy: Sun Life Financial or Toronto-Dominion stock?

Sun Life Financial stock: A top financial stock that is proving to be resilient

At the time of writing, Sun Life Financial stock is up 9% in August. [The company is withstanding the pandemic crisis](#) and proving to be quite resilient. Sun Life is expanding its presence in Asia and is now in eight markets there. And as a response to the coronavirus pandemic crisis, Sun Life is creating a virtual sales experience. No face-to-face meetings are required, and no paper is used.

A strong capital position and leverage ratio underpin Sun Life's stock price. This balance sheet strength is an important piece of the Sun Life story. It has allowed the company to not only survive this crisis, but to continue to invest in growth. The stock has an attractive valuation with an ROE of more than 10% and a dividend yield of 3.88%.

Trading at \$56.71 at the time of writing, Sun Life Financial stock has regained much of the losses it took in March. The stock is up 59.5% from March lows. Looking ahead, there has been a resurgence of the coronavirus pandemic in Asia. Lockdowns are once again in effect to control the spread. This time, Sun Life should be better prepared for this disruption. The market as a whole is better prepared.

Sun Life Financial stock is a strong buy on weakness. Wait for it and then pull the trigger when it comes.

Toronto-Dominion Bank stock: A best-in-class bank stock for the long haul

Bank stocks are facing much more serious headwinds as we progress into the second half of 2020. The unemployment rate in Canada is high, and businesses are really struggling. This is affecting all Canadian banks. Provisions for credit losses are skyrocketing.

TD Bank has an industry-leading ROE and a conservative approach that mitigates risk. The pandemic crisis is having a very significant effect on the economy. The road ahead will continue to be rough. While Toronto-Dominion Bank stock is a quality stock, the risk remains high in the short term.

TD Bank stock yields a very attractive 5.24%. The bank entered this crisis with significant capital and liquidity. It is attractively valued today, but the risks are high. Third-quarter results will be released on August 27. The key variable to watch is the provisions for credit losses. [The economy is still being hit hard](#), and Canadian banks will still be feeling the negative effects.

Foolish bottom line

I would add both of these stocks to my portfolio if their stock prices fall far enough. But I would favour Sun Life Financial stock today as the risks to its business are less severe.

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2. TSX:SLF (Sun Life Financial Inc.)
3. TSX:TD (The Toronto-Dominion Bank)

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