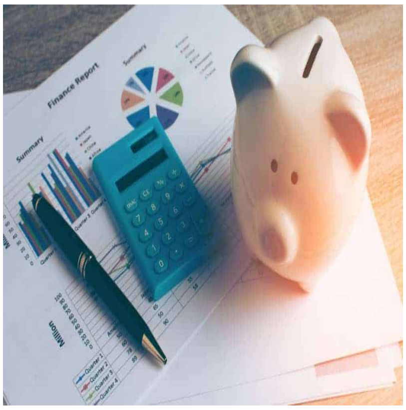

Is TD Bank Stock a Buy Before Earnings?

Description

It’s a big week for the Big Five. Some of the country’s biggest bankers are turning in their reports. Canadians are about to get a better picture of the state of the nation’s largest moneylenders. As well, the reports from the likes of **Scotiabank** and **BMO** – both of which are reporting Tuesday – will offer insight into the state of the economy. This Thursday will see **TD Bank** (TSX:TD)(NYSE:TD) spill the beans.

A big week for bank stocks

It’s important to remember that names such as Scotiabank and TD Bank are part of the backbone of **TSX** dividend investing. Along with such assets as utilities stocks, Canadian banks offer some of the most popular choices for passive income nationally. This week could be therefore be crucial to the outlook for dividend investing in this country.

TD Bank is in a unique position. It can attribute much of its recent growth to its operations south of the border. That makes it something of a bellwether for Canadian sentiment when it comes to the American economy. Investors looking ahead to the U.S. election are already figuring out how to play American-exposed banks. Politics aside, the election is bound to generate momentum – in one direction or another.

Investors should note that Canada’s banks haven’t don’t so well on the markets on average over the last 12 months. TD is still negative by 14% year on year. This is comparable to some losses in the energy sector, which has seen oil-weighted names weighed upon by the pandemic. Eventually, investors may start to decide that banks and oil producers are two sides of the same coin, weighted by similar factors.

TD Bank stock has a few things going for it, though. First off, its 5% dividend yield is just right for the long-term investor. Dividend payments have been reliable historically, and coverage of 53% suggests a low-risk distribution. This latter facet of TD Bank stock also leaves room for a growing dividend yield, making this a suitable pick for buy-and-forget investors.

Valuation could be a little better, with a P/B ratio of 1.3 just over the average – Canadian banks on average trade at book price. Scotiabank, for instance, trades at book value.

A mix of beats and misses?

Let's review some of those estimates. TD Bank is expected to see a year-on-year earnings decline of 42.5%. Revenue is expected to improve by 1.5% compared with the same quarter last year. Consensus ratings are midway between a "hold" and a "moderate buy" at the moment. Investors should consider waiting for the dust to settle before beginning, or adding to a position.

One thing that this round of earnings reports has going for it is that expectations are going to be low. This should benefit TD Bank's share price, since it should be fairly easy for the Big Five moneylender to beat estimates.

At the end of the day, it's not just performance in any given quarter that counts – it's what analysts *expected* that performance to be. Given an uneven economy, though, investors should expect a mix of beats and misses from TD Bank.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/17
Date Created

2020/08/24
Author
vhetherington