



TD Bank (TSX:TD): This Dividend King May Soon Regain Its Premium

Description

TD Bank ([TSX:TD](#))([NYSE:TD](#)), one of Canada's more premier bank stocks, has been in the doghouse alongside most of its brothers in the Big Six. Canada's top financial institutions have fallen under pressure for well over two years now. First, they felt some provisioning amid the Canadian credit downturn — then the [coronavirus disease 2019 \(COVID-19\) crisis](#) hit.

While the **TSX Index** is less than an upside correction away from hitting new all-time highs, it's important to remember that [not all sectors have been impacted evenly](#) amid this unprecedented crisis. The banks, which have exposure to some of the hardest-hit areas of the economy, have been licking their wounds amid mounting provisions for credit losses (PCLs), amid plunging net interest margins (NIMs) and lower loan growth.

In times of economic crisis, things tend to find their way back to the Canadian banks, and when loans sour, investors tend to feel the full force of the economic hit.

Don't give up on Canada's banks just yet

Although it may seem like the banks will be facing an uphill battle forever, it's important to remember that the banks, especially premium ones like TD Bank, tend to come roaring out of the gate on the back of new bull markets.

The perfect storm of headwinds gradually fade, and the next thing you know, banks are investible again through the eyes of everyday investors for their ideal mix of capital appreciation and dividends.

With near-zero interest rates that could go negative on a worsening of this pandemic, it may make more sense to follow in the footsteps of Warren Buffett out of the banks. Their profitability prospects haven't been this gloomy since the depths of the Great Financial Crisis.

As it turned out, though, it's such times of profound pessimism that ends up being the best buying opportunities. Yes, Buffett has been offloading some of his broader bank exposure, but he has been adding to his favourite in **Bank of America**.

TD Bank is still a premium bank stock; it just lacks the premium multiple

As Canada's most American bank, TD Bank, I believe, is the best bank stock to own as we gradually inch our ways back to normalcy, as the U.S. and Canadian economies both look to heal from this crisis.

TD Bank also has a history of being a more conservative lender. Conservative practices are ingrained in the firm's corporate culture. Despite the more prudent approach, the bank hasn't compromised on the returns front thanks to the incredible risk-mitigating managers running the show who are all about maximizing returns when adjusted for risk.

Foolish takeaway on TD Bank

While TD Bank was caught offside amid the coronavirus crisis, investors should forgive the name (the COVID-19 pandemic blindsided most financials) and back up the truck because I think it's still that same premium bank it was before this ordeal. The only difference is that the premium price tag is no longer present, with the stock trading at just under 1.3 times book value.

The 5%-yielding dividend is ripe for picking despite the bears who are looking for Canada's Big Six banks to take their dividends to the chopping block, an unprecedented move that I don't think will ever happen.

In the meantime, TD Bank and its peers will continue to be turbulent as the world waits for the arrival of an effective COVID-19 vaccine.

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