Is Toronto-Dominion Bank (TSX:TD) a Buy at $60?

Description

Shares of bank stocks were down on Monday after the International Consortium of Investigative Journalists (ICIJ) released a report that said many of the world's largest banks were helping move illegal funds around. These transactions spanned many years, ranging from 1999 to 2017. In total, there were more than US$2 trillion in questionable transactions that were flagged and related to possible criminal activity, including money laundering.

The development spooked financial investors. Two of the top banks involved included **Deutsche Bank** and **JPMorgan Chase**. The countries with the most banks cited in suspicious activity reports were the United States, Russia, and the U.K.

Although Canada wasn't near the top of the list, its banks were still included in the report and nonetheless a part of the collateral damage. Shares of **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) fell more than 2% on Monday, which is a big drop for the normally stable stock. **Royal Bank** stock also fell by more than 1%.

Should investors buy shares of TD on the dip?

Monday's drop put TD's stock right around the $60 mark, back to where it was in early August. The stock has dipped lower this year, even falling below $50 during the market crash in March. But even if this bearish activity continues, it's unlikely that TD stock will reach those levels again.

Outside of 2020, the last time TD's stock was trading below $60 was in 2016. A year or two ago, it would've been a steal of a deal to buy shares of TD at this price. For much of 2018 and 2019, TD stock saw strong support above $70.

However, it's also a different reality now with the economy in a recession and the COVID-19 pandemic still threatening more lockdowns, especially if the number of people with the illnesses continues to increase at a rapid pace.

There's also the danger that there could be a housing crash, as mortgage deferrals dry up and people have to start worrying about paying rent and other expenses. The Canada Emergency Response Benefit coming to an end, and millions of Canadians will be worse off as a result.

Even without the negative news surrounding banks of late, there are still many short-term risks that the economy is facing, which, in turn, will impact the big banks. But the key word here is *short*, as over the long term, those issues will resolve themselves, and the economy will eventually get back to where it was.

It's just a matter of whether investors are willing to wait long enough for that to happen.

Bottom line

There's an uncertain path ahead for bank stocks and the economy in general. While TD stock will likely recover from its 20% decline over the past 12 months, investors shouldn't expect a quick recovery, not while COVID-19's still around and impacting businesses.

But with the dividend stock now yielding more than 5% per year, it's definitely an appealing investment to just hang on to for a while. TD is a great buy at $60, and while there's a possibility it may drop further, the stock's not likely going back down to the 52-week low it reached in March. If you wait too long, the stock could recover, and you could miss out on a great buying opportunity.

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