



## Bank Earnings Preview: TD Bank (TSX:TD)

### Description

When this week started, I discussed my intention to [preview Canada's Big Six banks](#) ahead of the final batch of earnings for 2020. The first bank I looked at was the largest in Canada – **Royal Bank of Canada**. Next is the second largest financial institution in the country: **Toronto-Dominion Bank (TSX:TD)(NYSE:TD)**. Shares of TD Bank have dropped 13% in 2020 as of close on November 4. The stock is up 3.6% week over week.

### Why TD Bank met expectations in the third quarter

TD Bank released its third quarter 2020 results on August 27. For the most part, the bank managed to meet analyst expectations. However, provisions for loan losses continued to soar. Like its peers, TD Bank is still wrestling with the harsh realities of the COVID-19 crisis. It set aside a whopping \$2.19 billion in the third quarter.

Net income in Q3 2020 came in at \$2.25 billion for TD Bank. This was down from \$3.25 billion in the prior year. On an adjusted basis, the bank reported earnings of \$1.25 per share. This came in marginally above analyst expectations. TD Bank CEO Bharat Masrani echoed the sentiments of Royal Bank CEO Dave McKay. The two executives reiterated that there is still tremendous uncertainty in this environment.

Like Royal Bank, TD Bank also drew strength from its trading desks. Profit in its wholesale operations grew 81% year-over-year to a record \$442 million.

### This bank will be the most impacted by the U.S. election

TD Bank's huge United States footprint has been a big boon for the bank and its shareholders in previous years. Back in 2017, I suggested that investors should get in on the bank after the Trump administration was able to [push through tax reform](#). This resulted in a huge profit surge for top U.S. banks.

The U.S. election has continued to attract global attention. At the time of this writing, we still do not have an official winner. However, Joe Biden is emerging as the favourite as the final troves of mail-in votes are being counted. Donald Trump declared victory the night of the election. He has cast doubt on the legitimacy of the voting in top battleground states. Moreover, he is threatening sweeping legal action.

This uncertainty aside, even a Biden win may not be a great result for TD Bank. As it stands today, it looks like the Democrats failed to recapture the Senate, which means that the Biden administration will not have a free hand to draft policy in response to an economy in crisis. Still, investors should expect the delayed stimulus package to be pushed through with haste, providing a boon to banks and financial markets in early 2021.

## Should you buy TD Bank ahead of earnings?

TD Bank is expected to release its fourth quarter and full-year 2020 results on the morning of December 3. Shares of TD last possessed a price-to-earnings ratio of 11 and a price-to-book value of 1.2, putting the bank stock in favourable value territory.

It last paid out a quarterly dividend of \$0.79 per share, representing a strong 5.2% yield. Though the U.S. election has stirred anxiety, TD Bank and others are still positioned to benefit under either administration. I like TD Bank today for its value and its dividend.

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### Date

2025/07/08

### Date Created

2020/11/05

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