



1 Undervalued TSX Stock I'd Buy Before Air Canada (TSX:AC)

Description

Down 70% on the year, **Air Canada** ([TSX:AC](#)) is a tempting buy at these prices. I'm not a complete bear on Air Canada stock, I just believe that there are better places today to invest your money if you're looking for a stock trading far below all-time highs.

Will air travel cease to exist because of this pandemic? Probably not. But it may take years before the major airlines return to pre-COVID-19 revenue levels. While that is definitely understandable, what makes me bearish on Air Canada stock is that it's very hard to predict when, if ever, the airline will return to delivering market-beating growth.

The Canadian market is trading roughly 10% below where it began this year largely due to the effects of the COVID-19 pandemic. The pandemic has created all sorts of short-term uncertainty in the stock market, sending the share prices of many top **TSX** stocks well below all-time highs.

I've covered a top TSX stock that I believe has the potential to be a strong turnaround story. The company is down close to 20% on the year, but I believe it has the potential to return to delivering shareholders market-beating growth far before Air Canada stock will.

Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)), along with the other major Canadian banks, has had a rough year. Among the Big Five banks, TD Bank has been one of the weakest performers. The bank is trading almost 20% below where it began the year.

Down 20% on the year might not be as bad as 70%, but similar to Air Canada, it may be several years before profits return to pre-COVID-19 levels. The decline in interests this year has really hurt the banks in the short-term. And depending on how long it takes before they begin rising again, it may also have a long-term impact too.

Even if the worst has yet to come for TD Bank, I'd still be a buyer at these prices. The bank has been an incredibly consistent investment for decades. Yes, it may take years before returning to market-beating growth levels, but there are two other reasons that TD Bank is an [excellent long-term investment](#)

Exposure to the U.S. economy

Close to a quarter of the bank's net income is driven from south of the border, from the bank's U.S. retail division. Most recently, the company reported quarterly net income growth of 88%, which was led by a significant increase in trading volume.

Not only is the U.S. a strong growth driver for TD Bank, but it also provides shareholders with exposure to the U.S. economy. Canadian investors have the luxury of purchasing shares of a Canadian bank, but also reaping the rewards of potential future growth of the U.S. economy.

Don't forget the dividend yield

The Canadian banks offer some of the [highest dividend yields on the market](#) today, and TD Bank is no exception. The Toronto-headquartered bank pays an annual dividend of \$3.16 per share, which is equal to a yield of 5.2% at today's stock price.

In addition to offering up a yield above 5%, the dividend is also one of the most reliable you'll find on the TSX. TD Bank has been paying dividends to its shareholders for more than a century and a half.

Foolish bottom line

TD Bank isn't just a great turnaround stock: it's a great all-around investment to hold in your portfolio. The bank can provide stability over the long run, growth-potential that could outperform the market, exposure to the U.S. economy, and a dividend yield above 5%.

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

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