The U.S. Presidential Election Surge Probably Isn't Over Yet: Here's How to Profit!

Description

Investors were frightened over the potential negative implications of the U.S. presidential election. A Joe Biden "Blue Wave" that would bring forth U.S. corporate tax hikes alongside stiffer business regulations caused investors to run scared. With the election extending into its third day without a clear winner, the stock market has been skyrocketing, recovering most of the ground lost in the weeks leading up to the election.

Why? Although Joe Biden looks to be in the clear for the victory, the senate is to be split, the Blue Wave is not happening, and the market is more than happy with the results, regardless of who ends up taking the oval office.

That big bite out of corporate profits that investors were gearing up for? It's probably not happening, and that's caused a huge inflow back into tech stocks and various U.S.-exposed Canadian stocks that would have taken a modest hit to the chin.

A bank that fell as the markets rallied

TD Bank (TSX:TD)(NYSE:TD) is one of the less-obvious names that failed to sustain a rally, as the scary Blue Wave failed to materialize. As Canada's most American bank, TD Bank was due to take a hit to the chin amid its continued pandemic woes and decaying profitability prospects as a result of thinning net interest margins (NIMs).

Analysts were quick to turn their back on the Canadian bank in October, with a bunch of downgrades, citing Biden corporate take hikes as one of the reasons that TD was no longer worthy of an overweight or buy rating. Now that such tax hikes are likely out of the question, I believe TD Bank stock ought to re-gain the ground lost since the overly bearish analysts turned on the name.

U.S. bank stocks bounced on Thursday alongside the broader markets, but TD Bank still finds itself stuck in the gutter, with shares retreating $0.50, or nearly 1%, on the day. While TD Bank doesn't have the best loan book to weather the current crisis, I think that recent weakness in the stock has been overextended. TD Bank doesn't deserve to trade alongside the likes of a **CIBC**, and over time, I suspect TD will re-gain its premium to its Big Six peer group.

Analysts are too bearish

For now, investors appear to be siding with analysts. But if you're like me and think that TD's U.S. exposure is still worth a premium and that such a premium will return once we return to normalized conditions, now is the time to back up the truck on shares while the yield is above the 5.3% mark.

TD Bank hasn't underperformed its peers this badly in quite some time. The managers are still among the best risk mitigators in the business. It just so happens that TD Bank wasn't the best prepared to weather a pandemic. Don't discount the bank's ability to adapt, though. The bank has been through its fair share of crises and downturn, rising out of each of them stronger than before.

Foolish takeaway

Shares of TD currently trade at 1.2 times book value. Should the retreat extend to those ominous March lows, I'd get ready to back up the truck, as investors are given a chance to pay near book value for a premium Canadian bank that's temporarily in the penalty box. As the U.S. election rally continues, I suspect TD Bank could be in a spot to make up for lost time, as investors shed their distaste for the U.S.-exposed Canadian banks.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. 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. Quote Media
6. Sharewise
7. Yahoo CA

Category

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

Date
2025/08/25
Date Created
2020/11/06
Author
joefrenette