A Market Crash and a Biden Presidency: This Top TSX Stock Is Ready for Anything

Description

Those worried about an uneven recovery on the horizon may be overly bearish on equities right now. Indeed, stocks like banks can seem like risky plays if one believes the economy isn't as great as the story the stock markets are telling.

Canadian banks like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) have recovered to pre-pandemic levels. The pandemic-driven market crash we saw in 2020 gave TD investors a scare. However, those who loaded up on TD at the bottom have been handsomely rewarded, as they should.

Many may still be concerned about potential downside on the horizon. Additionally, a Biden presidency could pose headwinds for all U.S. banks. Here's why I think TD is one of the best banks to own for those looking for diversification right now.

Will a Biden presidency hamper TD's growth potential?

TSX-listed companies like TD that have significant U.S. exposure are more sensitive to the U.S. political landscape. Some investors may be concerned about the potential for increased regulation in the United States. Such regulation could slow growth in the financials sector south of the border. I think these concerns are probably overstated right now. The reality is that there are more pressing concerns at present, and the Biden administration will likely not have the bandwidth or political will to make business harder than it already is in the middle of a pandemic.

The banking sector is also much better off than at the onset of the financial crisis. Despite regulatory red-tape cutting from the Trump administration, structural problems have not yet manifested themselves among U.S. banks. The industry has done a good job of maintaining liquidity, and I think will begin to thrive once this pandemic begins to lose its grasp in the U.S.

TD is still one of the largest banks in Canada. The fact that this financials play is so well diversified geographically widens the margin of safety with this stock.

How will dividends look over the long term?

Concerns about the ability of Canadian banks to hike dividends as they have done in the past remain. Many investors are concerned that regulators will not support buybacks or dividends for the foreseeable future. On the contrary, I think once this pandemic begins to slow (which should be soon if vaccines are effective), dividend hikes could be on the horizon again. As loan-loss provisions are taken off the books and added to banks' bottom lines, companies like TD will have more than enough room to enhance its yield over time.

I think TD's dividend is well covered, and the growth potential of this bank provides strong support for future dividend increases. Additionally, the bank's track record of dividend growth is as stake. Maintaining a loyal investor base is important to any management team. Thus, I think there are a number of catalysts at play supporting the thesis for long-term dividend increases continuing for TD at or near its historical pace.

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chrismacdonald