



TD Bank (TSX:TD) Stock Smashes All-Time Highs: More to Come?

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) stock recently set an all-time high, reaching \$79.54 on Friday. It closed the day just three cents shy of the record high price at \$79.51. It's been an incredible run. Just a year ago, TD stock slid as low as \$53. Since then, it has risen 50%.

The question is, *why?* With COVID-19 risk factors still very much real, it's quite possible for TD to swing a miss in the year ahead. The pandemic increased the risk of defaults, which forced banks to increase their loan-loss reserves. That sent earnings lower at the time, and it could happen again in a new wave of COVID. However, as you're about to see, TD Bank is in a great position — especially when it comes to its U.S. operations.

Strong growth in two most recent quarters

In its two most recent quarters, TD Bank posted solid growth. The earnings measures for Q4 were as follows:

- **GAAP earnings:** up 80%
- **Adjusted earnings:** up 1%

For Q1, they were as follows:

- **GAAP earnings:** up 10%
- **Adjusted earnings:** up 10%

Both were solid quarters. In the case of Q4, the bank got a one-time \$2.5 billion windfall from selling **TD Ameritrade** to **Charles Schwab** ([NYSE:SCHW](#)). That's a non-recurring gain, hence the discrepancy between GAAP and adjusted earnings in that quarter. In the first quarter, we saw earnings rise across the business due to the economic recovery and solid fundamentals.

A lucrative partnership with Charles Schwab

A big factor contributing to TD's solid Q1 earnings was its partnership with Charles Schwab. As a result of the deal closed in Q4, [TD now owns 13.4% of Schwab](#). That makes it a partner in the world's largest brokerage. In Q1, Schwab contributed \$209 million in earnings to TD Bank compared to the \$201 million TD Ameritrade contributed in the quarter a year before. So, the Schwab deal is paying off.

Rising U.S. yields

Another factor TD has going for it is rising treasury yields in the United States. Generally speaking, mortgage rates [tend to follow moves in the 10-year treasury](#). Central banks like the Federal Reserve are currently trying to keep interest rates low, but bond vigilantes are pushing the yields higher. This is generally good for a bank's mortgage operations, which earn more money when interest rates are high. Of course, the Federal Reserve's official policy is for interest rates to be low, and it has more tools at its disposal to lower yields (i.e., buying up treasuries). Still, it must be said that the current trends in the U.S. treasury are good for banks for the time being.

Foolish takeaway

Over the years, TD has proven itself to be one of Canada's best-performing banks, with a solid U.S. retail business and impressive brokerage operations. In 2021, that continues to be the case. With earnings rising and COVID-19 beginning to run its course, things are looking up for Canada's second-largest bank.

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