



TSX King: TD Stock Is a Top Dividend Stud to Bank On

Description

The top Canadian bank stocks like **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Royal Bank of Canada** are, for lack of a better word, TSX kings. They've been through their fair share of crises and market crashes over the decades, only to fully recover with their dividend payouts fully intact.

The [coronavirus crisis](#) caused Canada's top banking giants to implode in price, only to fully recover just a year later. If you flinched or bought into the negative theses of the [bearish headlines](#), you missed out on a generational opportunity to lock in a swollen dividend yield alongside outsized capital gains. While the "steal" in the banking scene has come and gone, I still think there's immense value to be had for long-term investors seeking above-average returns for the next decade.

Thinning NIMs (net interest margins) and rising PCLs (provisions for credit losses) were the major themes of 2020. As the pandemic ends, and central banks mull interest rate hikes, the banks could be on the cusp of a multi-year bull market, the likes of which investors may not have witnessed since the rise out of the depths of the Great Financial Crisis.

Banking on TSX kings before rates rise

These days, the U.S. Federal Reserve remains as dovish as ever, as the economy climbs back from the coronavirus recession. Sooner or later, improving economic data will pressure chairman Jerome Powell to hit the rate-hike button. And the Bank of Canada (BoC) will probably follow suit, with rate hikes of its own on this side of the border.

As it stands, higher rates are doubtful in 2021 or 2022. But increasingly likely in 2023 and beyond. In any case, those with time horizons beyond five years need to think about beefing up their banking exposure now, while the price of admission into Canada's top TSX kings is still relatively low.

TD stock: The best bank for your buck?

TD Bank is one of the best Canadian banks you could ask for. Even after climbing out of the depths of

2020, I still think TD stock is one of the better banks for your buck these days.

The company, led by its brilliant CEO Bharat Masrani, is prudent with its moves — even when times are good, credit is easy, and other banks have extended themselves. TD Bank may forego a bit of additional growth in such easy times, but when the tides turn and things tighten, TD is usually less at risk than some of its banking peers.

As tempting as it is to get an edge over its peers, TD Bank is not a firm that'll deviate from its prudence and conservative nature, even if it seems like the good times will last forever. As a result, TD stock is usually among the first to recover from market crashes.

TD Bank has a ridiculously high quality of earnings with a good mix of U.S. and Canadian retail exposure. With the incredible risk managers you'll get, the stock deserves to trade at a hefty premium to the peer group. And at 12.6 times earnings, I don't believe the full premium is reflected in today's share price, given the tremendous tailwinds that the bank could be in for over the next few years.

Foolish takeaway on TD stock

With TD Bank on the hunt for its next big acquisition (likely in the U.S. market), I think TD stock could be in a spot to make a run for Royal Bank's title of the largest bank in Canada. In any case, both TSX kings are buys here and now, as the new bull market looks to pick up traction.

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