



## TD Bank: 1 of the Best Canadian Dividend Stocks to Bank On in June 2021

### Description

**TD Bank** ([TSX:TD](#))([NYSE:TD](#)) proved the doubters wrong after [surging](#) nearly 50% since those late-October lows — a time when some analysts turned their backs against the banking giant.

Before **Pfizer** unveiled its COVID-19 vaccine breakthrough, things were horrific for the big banks. Loan growth was meagre, provisions for credit losses (PCLs) seemed uncontrollable, net interest margins (NIMs) were as thin as ever, and some may have thought that bank-wide dividend pauses were a symptom of something far more horrific.

There was nearly nothing to look forward to with the big banks going into last year's presidential election — even TD Bank, which is a best in breed bank that typically commanded a premium price tag over its peers. For TD, its U.S. exposure, a major source of its premier price tag in the past, was viewed as a source of weakness, as the U.S. was hit especially hard by the second wave of the virus.

### Canadian banks make it through a rough patch

If you just had faith in the banks and didn't discount the strength of their dividends or their ability to take a hit (the Big Six banks' capital ratios were well above industry requirements), you probably bought (or at least held) on the way down.

In 2019, the modest weakness in Canadian credit caused the Big Six to ready their defences and put their loan books to the test. When the coronavirus crisis struck in 2020, the stress tests paid off in a big way, and they're probably a big reason as to why the big banks rebounded as rapidly as they did.

TD and the broader basket were never in the same kind of trouble they find themselves in back in 2008. Their capital ratios were much better. The stable footing of the big banks was heavily discounted when panic struck, though. And people were more inclined to sell first with the intention of asking questions later.

As it turned out, it was a mistake to follow the herd out of the names, even in the absence of tailwinds, as there was only a brief window to lock in the big banks' dividend yields while they were swollen by

double-digit percentage points. If you flinched or sold, you probably had to bite your lip and repurchase shares at much higher prices.

## TD Bank stock is no longer a steal, but it's still an incredible buy

Nobody knew if we'd even have a safe and effective vaccine for 2021, as the coronavirus inspired some, including Warren Buffett, to utter the unspeakable "d" word: *depression*. In the face of unprecedented uncertainty, it can be tempting to sell in spite of the decent fundamentals with the intention of asking questions later.

But that was then and this is now. If you didn't buy TD Bank stock and the broader basket, there's no sense in kicking yourself. The banks aren't as [cheap](#) today. Still, they're also far less risky, given more clarity with the vaccine timeline and fading COVID-19 headwinds. With the lower risk profile taken into consideration, I still think valuations in names like TD Bank are attractive here.

While the steals and swollen yields are gone, you'll still get a pretty good bank for your buck given the ever-improving banking backdrop.

Moreover, inflation has grown to become a major concern of investors these days. Many growth-oriented beginners are not prepared. TD Bank looks like one of the better ways to prepare your portfolios defences if inflation isn't as transitory as the Fed expects.

TD is fresh off of a decent quarter of earnings. The Street didn't seem to like it, given the run up into the quarter. Although the 2% pullback isn't much of a discount, I think investors have to take it, as the name looks well poised to continue roaring higher alongside its peer group. Add some potential M&A into the equation, and I think you've got the formula for an outperformer going into year's end.

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