



## TD Bank Stock Is a Top Passive-Income and Value Pick

### Description

Canadian stocks have enjoyed a [tremendous](#) first half of the year — a trend that could continue well into year's end. Of course, a seasonal market correction in September or October shouldn't be ruled out. But with many reasonably valued TSX stocks out there with large, growing dividends, I'd argue that the opportunity costs of waiting for the next correction are high — especially when you consider the rate of higher inflation and how it will stand to take an even bigger bite out of your cash savings. Factor in the likelihood that you may not be able to get in at the bottom of the next market pullback, and it makes more sense to do some buying, even with the broader indices at or around their all-time highs.

### There are cheap stocks despite the favourable market environment that lies ahead

You've probably heard some folks refer to this market as a "[Goldilocks](#)" environment that justifies valuation metrics slightly on the higher end. Undoubtedly, earnings growth could have the potential to boom as we enter the early innings of the so-called Roaring '20s. Many dividend stalwarts at all-time highs may not be as expensive as they could be, given the macro backdrop likely to pave the way for accelerated earnings and dividend growth.

### TD Bank: Passive income and deep value together as one!

**TD Bank** ([TSX:TD](#))([NYSE:TD](#)) is a magnificent Canadian bank that's been on a heck of a run, now up 64% from its 2020 trough. Despite the impressive rally, the compressed dividend yield (3.6%) and its recent cooling (the big banks have stalled over this past week), TD stock still looks like an incredible bargain. The stock trades at 11.1 times trailing earnings, which is way too cheap when you consider the high calibre of earnings growth you'll get from the name in an ever-improving industry environment.

TD stock is in the middle of the pack when it comes to year-to-date performance (with shares now up 31%). But with many of its Big Six peers outpacing it, I'd argue that TD has more room to run into

year's end, as shares look to re-gain their prior premium lost at the hands of the coronavirus crisis.

Given TD has a higher quality of earnings than most other banks (a big chunk derived from lower volatility retail banking), I'd argue that TD deserves to trade at a premium over its peers. Right now, shares trade at a hefty discount on a price-to-earnings basis — even more so than some of its less-appealing peers. I think the relative discount is nothing more than an opportunity for investors seeking a great value alongside a nice dividend payout.

## The bottom line on TD Bank stock

Over the past two years, nothing big has changed about TD Bank's fundamentals other than the relative discount to its peers. In due time, I think TD stock will regain its premium, and it may even give **Royal Bank of Canada** a good run for the crown of largest bank stock by market cap.

### CATEGORY

1. Bank Stocks
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