



TD Bank Stock Is a Top Dividend Buy for August

Description

TD Bank ([TSX:TD](#))([NYSE:TD](#)) used to be one of Canada's most [premier](#) bank stocks. Undoubtedly, the top bank, which provided the perfect blend of U.S. and Canadian retail banking exposure, seemed poised to dethrone its top peer in **Royal Bank of Canada** just a few years bank.

Undoubtedly, CEO Bharat Masrani and his team found the perfect formula for achieving superior risk-adjusted returns over time. Then came the COVID-19 crisis, which sent the Big Six Canadian banks collectively crashing into the abyss.

If you panicked and doubted TD or any other bank stock, including the regionals, you missed out on an epic rally. Indeed, the bounce off those March 2020 bottoms was incredibly sharp. And not even the most seasoned of traders could have caught the name, as the U.S. Federal Reserve stepped in, marking the bottom in the horrific crash that didn't spare many, if any, asset classes.

Today, the banks have shrugged off the COVID-19 crisis. Credit has improved drastically, and provisioning activity has nosedived. While rates of the 10-year note have pulled back in recent months amid COVID-19 Delta variant concerns and its potential to slow the world economy's recovery, I still find TD stock to be among the best banks in today's market environment for those looking for the best results over the next decade.

TD Bank lags the pack

Who would have thought that such a high-quality Canadian bank would be lagging many of its peers in the space? While the improving macro picture is lifting all banks out of their 2020 funk, I find it strange that TD stock's valuation is close to the lowest of the pack.

TD Bank arguably possesses one of the most robust earnings streams out there. Its management team is one of the best risk mitigators in the business. Still, in the early innings of this economic expansion, it seems like investors are willing to forego prudent risk management and go for the names that offer the highest upside in an up market.

If you're looking to batten the hatches, though, I still find TD Bank stock to be among the best of the pack, even though the price and recent performance would suggest otherwise.

At the time of writing, TD Bank stock trades at under 11 times trailing earnings and 1.68 times its book value. It's not at all an expensive stock compared to the high calibre of business you're getting and the much-improved industry backdrop.

When could the bank stock pull ahead of its peers again?

TD Bank is still one of the best banks in my books, and I think the stock will command a premium that's higher than most of its peers again. Once the U.S. Federal Reserve starts taking on a more hawkish tone, I'd look for TD stock to start leading the upward charge. Arguably, TD has the most to [gain](#) when it comes time to tighten.

Moreover, I'm a much bigger fan of U.S. banking than Canadian banking at this juncture. As a bank with a nearly equal blend of U.S. and Canadian banking exposure, I think TD stock should trade at a greater premium. Why the preference for U.S. banking over Canadian banking? Canadians are already quite heavily indebted these days. I see more opportunity south of the border, as U.S. consumers look to take on more debt to finance big-ticket consumer purchases.

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