



Beginner Investors: TD Bank Is a Perfect Starter Stock for You!

Description

It's a tough time to be a beginner investor these days, with heightened [valuations](#) across the board and all of these correction calls from left, right and centre. Undoubtedly, we've gone without so much as a 10% or even 5% correction in quite some time. The last official correction (that's a peak-to-trough decline of at least 10%) was during the 2020 stock market crash. Ever since the [bottom](#) was put in back in March 2020, it's been off to the races. While there has been the occasional dip in the road to recovery, Mr. Market has continued to climb higher despite the economic difficulties and the ongoing pandemic, which remains far from over.

There are plenty of risks, and there is some concern that such risks haven't been factored into the share prices of companies. Given this, it's oh so tempting to wait for the next correction or "market reset" for beginner investors to put money to work. September started with a bit of weakness. Heading into Monday, the **S&P 500 Composite Index** finds itself on a bit of a losing streak, with five weak sessions straight. Still, despite the past week of pain, broader markets aren't even down a full 2% yet. Undoubtedly, it's been a drag, and the recent pressure on markets feels the most painful it's been in a while, likely because markets have steadily climbed for well over a year now.

Nobody knows whether this pullback, just shy of 2%, will evolve into a steeper pullback. Regardless, dip buyers and investors with excess liquidity could mark the end before stocks have a chance to make a move into a correction officially. And for that reason, beginner investors should proceed with a dollar-cost averaging strategy in mind, with a slight bias toward value stocks, rather than speculative sexy plays with questionable valuations that will most likely lead the next sell-off once the tides inevitably have a chance to turn.

TD Bank: Too cheap to ignore

TD Bank ([TSX:TD](#))([NYSE:TD](#)) strikes me as one of many Canadian value stocks that seem too cheap to ignore at this juncture. The Canadian bank has a solid, well-covered dividend, currently yielding 3.9%. And over the next several months, a big dividend hike will likely be in the cards once the big banks are given the okay to start increasing their “frozen” payouts.

In any case, TD’s dividend is for beginner investors to collect quarterly, regardless of when the next sell-off strikes or what the U.S. Federal Reserve looks to take away the punch bowl, or at least reduce the amount of punch in the bowl.

At the time of writing, TD stock trades at 9.7 times trailing earnings. Seldom has the high-quality U.S. and Canadian-focused bank traded at such a single-digit multiple. It’s had a bit of baggage, possibly more than its peers over this pandemic-plagued past year and a half. Still, TD is still one of the wildly profitable names you’ll want to own for the long thanks to its brilliant managers, who’ve found the right balance between risk and reward, as well as slightly higher sensitivity to interest rates.

If you’re like me and think we’re at the cusp of a rising-rate environment, TD deserves a much higher multiple. Given the backdrop, I’d argue TD deserves to trade more in-line with its peers, if not at a premium to them, with a 13-14 times earnings multiple.

The bottom line for beginner investors

Nobody knows when TD Bank will pull ahead of its peers again. But until the Bank of Canada has the means to increase rates (probably only in a post-COVID environment), you can expect to trade at a discount rather than a premium.

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