Why TD Bank Stock Rebounded in September

Description

Shares of the Big Six banks were doing well after the pandemic. Banks like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) rebounded after the market crash, reaching pre-pandemic levels within a year of the crash. Furthermore, shares then continued to climb to all-time highs. Low interest rates and provisions for loan losses all helped to keep TD Bank stock and others on top.

However, shares have slowed in the last few months. While the stock is up 22% year to date, shares are only up about 4% in September. Yet that's still an improvement. Shares reached all-time highs at the end of May, before falling by 7% mid-July. Shares recovered 6% by August but then lost those gains by September.

Since then, shares are back to where they were in August but still further away from May highs. So, let's see what's been going on with TD Bank stock and whether the recent rally will remain.

What happened?

The most recent rebound in August came from strong earnings reported by the stock. Adjusted diluted earnings per share came in at $1.96 — an improvement of 57% year over year. Furthermore, adjusted net income rose over a billion to $3.628 billion. This is likely what caused the increase in share price during that time.

However, this tapered off with investor fears over the rise of inflation. And that could continue well into 2022. Interest rate hikes are likely to occur both in Canada and the United States, where TD Bank stock has a strong presence.

Yet the most recent rise in the stock could be entirely unrelated to its earnings reports. TD Bank stock has announced several initiatives to continue its growth in do-it-yourself banking. The company continues to focus on digital activity, providing direct investing and learning to those looking to invest.

TD Bank stock claims it is the first of its kind in Canada, providing the self-directed investing activity with "a detailed analysis on investor behaviour … Canadian investors can gain insight into trading activity of anonymized self-directed investors from the prior month, and up to the past 13 months…to provide a snapshot of what self-directed investors were doing."

So what?

This recent boost is nice, but it looks like it's just a reaction to perhaps this news and from the pullback. So, it's more likely just a reaction to the lower share price activity thanks to inflation rates and interest rate hikes. But just because there's fear doesn't mean TD Bank stock isn't a good buy.

There is worry there *could* be higher loan defaults. Yet overall, banks tend to do well with higher interest rates. And that would include TD Bank stock even with so much exposure to the United States. The U.S. is likely to recover quickly after the pandemic, leaving room for TD Bank stock to do well in a post-pandemic recovery — especially as 29% of its business comes from the country.

Furthermore, TD Bank stock is significantly more set up for digital use than its competitors. It currently has 15.2 million active users. And TD Bank stock has invested here as well, closing up American brick-and-mortar banks to expand digitally.

Now what?

Sure, TD Bank stock may flip around during the next year or so. But shares of the stock are already up 42% in the last year. Zoom out further, and it's grown above market norms, climbing 239% in the last decade. That's a compound annual growth rate (CAGR) of 13% in the last 10 years!

Furthermore, you can pick up a dividend yield of 3.73% as of writing that's grown at a CAGR of 9.81%. Of the Big Six banks, TD Bank stock looks to be a stable stock with the most growth. So, if you're a long-term holder looking for stability among your stocks, TD Bank stock would be a strong option to consider, no matter what's been happening lately.

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