



## TD Stock Price: Will TD Have a Strong Q4?

### Description

Banking companies in the U.S. will be kicking off earnings season this week. Canadian investors will closely watch these developments to see if the performance of financial giants south of the border will impact the quarterly results of **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and peers.

TD stock has returned over 46% to investors in the last 12 months after adjusting for dividends. It is up 80% in the last five years and has gained an impressive 245% since October 2011.

TD Bank has performed well, despite the ongoing pandemic. Its financial performance in the last few quarters has indicated the strength of Canada's second-largest bank and its strong financials that can survive a severe economic recession.

TD Bank stock is trading close to its record highs and might lose momentum if markets turn bearish. There are a lot of uncertainties surrounding the equity markets that include slower-than-expected economic growth, the highly infectious Delta variant, [rising inflation rates](#), the threat of higher interest rates, and an impending global slowdown.

Let's see if TD Bank is poised to overcome near-term headwinds and continue to deliver outsized gains to investors.

## TD Bank will benefit from a higher interest rate environment

Interest rates were slashed amid the pandemic to accommodate easier access to capital and offset steep unemployment rates. The delinquency rates for banks were also lower in 2020, as the federal government stepped in to provide financial benefits to individuals and enterprises impacted by the pandemic. Lower interest rates also drove housing demand higher, as mortgages were cheap, thereby contributing to the top line of TD Bank and peers.

Banks, including TD, derive a majority of their sales from net interest income, or NII, which is the difference between the revenue generated on loans provided to customers and the interest paid on deposits. The NII can be viewed as a by-product of loan growth, interest rates, as well as securities

purchases and prepayment rates. In the last year, loan growth was tepid due to low interest rates and high prepayment rates, which impacted NII for TD Bank and its competitors.

Now, the management teams of banking giants might not be interested in boosting NII by buying securities, as there is a good chance for the interest rates to rise in the upcoming months. Further, an uptick in borrowing rates will also help TD Bank to improve profit margins going forward.

## What's next for TD stock?

In the fiscal third quarter of 2021, TD Bank reported a net income of \$3.6 billion and earnings per share of \$1.96, which was significantly higher than prior-year numbers. Its stellar quarterly results were attributed to revenue growth across business segments and rising customer activity that positively impacted higher volumes and fee income.

TD Bank's CET1 ratio stood at a healthy 14.5% at the end of Q3, providing the company with the flexibility to pursue multiple growth opportunities and return capital to shareholders.

Analysts tracking TD stock expect revenue in fiscal Q4 to be around \$10.41 billion, which is similar to the year-ago period. Comparatively, its adjusted earnings [are forecast to rise](#) by 21.2% year over year due to lower provisions from credit losses. In fact, Bay Street expects adjusted earnings to rise by 43.8% year over year to \$7.71 in fiscal 2021.

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