1 Canadian Passive-Income Stock That's Perfect for November

Description

November has finally arrived, but don't think the volatility has been left behind just because we turned a page on a new month. Undoubtedly, many market newcomers may finally feel more comfortable putting more money in the markets now that the spooky seasonal period of weakness is behind us. While seasonal effects may be remarkable, investors taking action over something as arbitrary as the month we're in are timing the markets.

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Indeed, market timing is no way to get above-average results over the long run. Instead, investors should focus on the extremely long-term picture by purchasing securities they deem as undervalued, regardless of what the headlines say could be up ahead.

While they may or may not have the most upside come the so-called Santa rally, both names do look to offer a pretty favourable risk/reward scenario over the long haul.

For truly long-term investors, finding a great risk/reward scenario should be the ultimate goal. And for those seeking incentive to hang in through periods of market volatility, one should look to dividends, which are investors to collect, regardless of how choppy the market waters get from here. Not only is passive income from dividends a great incentive to hold on for years at a time, but they also help further dampen volatility for investors looking to batten down the hatches.

TD Bank: A great passive-income investment on the TSX

Consider shares of **TD Bank** (TSX:TD)(NYSE:TD), one outstanding passive-income stock that looks incredibly undervalued at writing.

TD Bank is a blue-chip Dividend Aristocrat that's up a remarkable 26% year to date. Still, one can'thelp but notice that some of its rivals have outpaced the number two Canadian bank amid the rally offthe ominous lows of earlier last year. Indeed, TD Bank is a premier bank stock, but its quarterly results have been less than stellar lately. As a result, TD's relative premium versus its brothers has all but vanished. Today, TD stock trades on the lower end of the Big Six valuation range at just 10.6 times trailing earnings.

At 3.5%, the dividend yield is also nothing to write home about versus the peer group. While TD may have lost a bit of a stride in its step, there's nothing wrong with the fundamental story. In fact, TD still looks more attractive than its peers, given rising rates are likely on the horizon. The Bank of Canada recently signaled that rate hikes could be in the cards sooner than expected. For TD Bank, a retail banking powerhouse that has ample NIM (net interest margin) expansion potential in a rising rate environment, the news should be a breath of fresh air.

From provisions to higher NIMs and greater loan growth

It's not just higher NIMs in a higher-rate environment that has me bullish on TD; improved economic prospects accompanying rate hikes also tend to propel the banks. In due time, regulators will allow the banks to hike their dividends again. And as we're shifted into a higher-rate environment with loan growth trumping provisioning, TD could hike its dividend far quicker than most other financials.

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