



TD Bank (TSX:TD) Stock: I'm Holding Forever

Description

There aren't that many stocks I'm comfortable holding forever.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is one of the rare few.

Fresh off a [highly successful quarter](#) that saw it beat on both revenue and earnings, it is looking great for the year ahead. In my opinion, it also looks good for the long-term future. My long-term optimism on TD Bank stock is difficult to support quantitatively, but my reasons for optimism for 2022 are well supported by all relevant economic, financial and operational data. In this article, I will outline in detail why I think TD Bank stock is a great hold for 2022, along with some brief thoughts on why it should do well after that as well.

Why TD Bank stock looks good heading into next year

TD Bank stock benefits from at least two trends heading into 2022:

- Stock market volatility
- Interest rate increases

Stock market volatility benefits banks like TD that run brokerage operations. Brokerages, like TD's Waterhouse and **Charles Schwab**, make more money the more buying and selling there is in the market. Generally, when the markets are volatile, there is a lot of buying and selling going on. TD profits from all this buying and selling by [skimming the bid-ask spread](#) — the difference between the price offered and the price asked for — from client orders. Brokers lost trading commissions last year after **Robinhood** took the lead on no-fee trading, but Schwab still has spread income to collect. TD Waterhouse is still collecting commissions for now.

Next up, there are interest rate increases. Banks have the potential to make money off of higher interest rates. With higher rates come higher profit margins on loans. Deposit interest also goes up but less than loan interest. So, banks overall stand to profit off rate hikes. This is not guaranteed to happen — as the Federal Reserve of St. Louis notes, there have been times when rates and bank profits

moved in opposite directions. But there is potential for it to happen. So, there's a stark contrast between banks and non-bank firms in times of rising interest rates. Banks could potentially profit off the rate hikes, other firms basically always eat higher costs.

Why the long term should be good as well

I think I've outlined a pretty compelling case for why TD Bank stock could gain in 2022. But that doesn't quite support my whole thesis, which is that TD is a stock worth holding forever. That one is a little harder to defend with specifics; however, I would point out three things:

1. TD is currently the ninth-largest retail bank in the United States. It has a large presence there but still hasn't even touched West Coast markets, so there is a lot of growth potential.
2. TD's mobile app is extremely well reviewed and among the most popular in Canada. TD's status as a "tech savvy" bank bodes well for the future.
3. Fintech, often thought as having the potential to disrupt banks, is actually not a threat. Recently it came out that fintech firms like Robinhood are still relying on banks to handle their operations behind the scenes. So, the main "negative catalyst" facing banks looks like it's not a big deal.

For these and other reasons, I consider TD a great "forever hold" stock.

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