1 Bank Stock to Own if Recession Follows the Rate Hike in 2022

Description

Economists say Canada's inflation reading (4.8%) in December 2021 is the scariest in 30 years. While the Bank of Canada didn't increase its close-to-zero benchmark rate (0.25%) last month, a hike is inevitable. Governor Tiff Macklem defends the BoC's position saying, "We're trying to cut through the noise so monetary policy is a source of confidence and it's not another source of uncertainty."

Scott Terrio from Hoyes Michalos Licensed Insolvency Trustees warns that a recession could follow once the rate hikes begin. The consumer insolvency expert said it will push some people living paycheque-to-paycheque into insolvency. Also, spending on discretionary goods could fall sharply because Canadians are debt-burdened.

The stock market could dip if a recession comes. Thus, income investors should keep their strategies in check to ensure no disruption in dividends. A blue-chip stock like the **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) can subdue your fears.

Multiple rate hikes

The BoC could make an important policy announcement on March 2, 2022, when Gov. Macklem and his deputies meet again. Veronica Clark, an economist at **Citigroup** Global Market, predicts four quarter-point increases spread throughout the year.

An interest rate hike cycle is a pressing need to counter the inflation surge. It could likewise curtail the unprecedented growth in housing prices. **Scotiabank** Economics expect the key overnight rate to increase to 0.5%. Its senior economist, Jean-Francois Perrault, said interest rates could hit 2% by year-end 2022.

James Orlando, a senior economist with TD Economics, has the same prediction. He said the BoC will end two years of rock-bottom rates and start with 25 basis points. Stephen Tapp, a senior economist at the Canadian Chamber of Commerce, adds that inflation could affect the bottom lines of businesses. Besides rising prices of goods, a wage increase might be in order to cover inflationary pressures.

Superb track record

Canada's second-largest lender is also the country's most valuable brand in 2021 and sixth-largest bank in North America. The $193.9 billion bank will not disappoint income investors regardless of the economic environment. Its dividend track record is 165 years and counting.

The Big Six banks announced dividend hikes late last year so investors will receive higher payouts this year. TD was unscathed during the pandemic and had excess capital to deploy for shareholders. Management raised its dividends by 13% and will buy back $4.6 billion worth of shares.

TD's performance in the last 49.21 years is superb. The total return is 47,500.25% (13.35% CAGR). As of this writing, current investors enjoy a 10.56% year-to-date gain on top of the safe 3.30% dividend. Its share price is $106.27, although TD hit a new 52-week high of $107.81 on February 11, 2022.

The bank never stops receiving recognition. TD Global Transfer and UGO won in the Product and Organization categories in the 2022 BIG Innovation Awards by the Business Intelligence Group. The former is an innovative digital marketplace, while the latter accelerates new business models for TD and new digital development.

Long fight ahead

Most economists anticipate high inflation to stay longer before the rate falls to the 2% target of the Bank of Canada. It would be best for income investors to take a position in TD while there's time.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. jguest

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/10/01
Date Created
2022/02/17
Author
cliew