



## Robust Economy: Canada's 2021 GDP Is the Highest in 20 Years

### Description

The good news to drown the war headlines is the country's economic recovery last year. Canada's 4.6% GDP in 2021 was its most significant expansion in two decades. According to *BNN Bloomberg*, in 2020, the economy shrank the most in more than six decades.

After Statistics Canada reported a 6.7% GDP in Q4 2021 (annualized) on March 1, 2022, the TSX rose triple digits (251.1 points) the following day to end higher at 21,255.60. While the underlying economic conditions are favourable, the ongoing armed conflict between Russia and Ukraine threatens market stability.

For investors looking for stocks that can overcome the headwinds, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is the hands-down choice. Canada's second-largest bank could become the sixth-largest bank in the United States soon. The big bank stock isn't immune to volatility, although its dividend payments should be rock steady.

### Start of rate-hike cycle

Economists got it right with their rate hike projections in the first round. The Bank of Canada raised its key interest rate to 0.5% on March 2, 2022. Adam Brown from BDO Canada expects five rate hikes to follow until year-end, although he said there's no need to panic.

While economies are emerging from Omicron's impact more quickly than expected, the Feds say inflation is heating up even faster than anticipated. They don't rule out the ongoing war among the factors that could influence inflation. The prices of oil, natural gas, fertilizer and other commodities could soar.

The BoC's concern now is the upward pressure on prices, especially for energy- and food-related commodities. The bank expects inflation to be higher in the near term than its projection in January 2022. RSM Canada economist Tu Nguyen said inflation could prove difficult to tame because rising oil prices and global supply chain disruptions are beyond the Fed's control.

## Safe as gold and real estate

Gold and real estate are good hedges against inflation, but you can count on TD as a [safety net](#), too. The \$185.18 billion bank has proven its mettle during economic downturns and financial crises. In the last 49.25 years, the big bank stock's total return is 49,359.20% (13.23% CAGR).

TD's 165-year dividend track record is proof that paying dividends is in its DNA. If you invest today, the share price and dividend offer is \$101.49 and 3.7%, respectively. In Q1 fiscal 2022 (quarter ended January 31, 2022), revenue and net income grew 4.3% and 13.9% versus Q1 fiscal 2021.

Bharat Masrani, TD Group president and CEO, said, "TD started the year strong, delivering revenue growth across all our business segments as customer activity gained additional momentum." Masrani announced as early as Q2 fiscal 2021 that TD was open to deploy its huge cash stockpile for acquisitions in the United States.

He was true to his word following the announcement that TD will acquire First Horizon Corp. for US\$13.4 billion. The strategic acquisition will extend the bank's footprint beyond the U.S. East Coast. First Horizon is present in 12 states. Once TD obtains regulatory approvals, it's U.S. franchise will become the sixth largest in America.

## Economic recovery

Canada's economic recovery is underway. The BoC projects growth in 2022 (4%) and 2023 (3.5%) to be well above recent historical trends.

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