



1 Big Bank Stock That Is Making Waves

Description

Central banks in advanced economies and emerging markets fear a slowdown in global economic growth. Because of the ongoing Russia-Ukraine war, the World Bank said trade and production [disruptions](#) will continue. The group said food and energy prices would remain high through year-end 2024.

Despite the breakout of the armed conflict in Eastern Europe, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) announced an [acquisition](#) — its biggest-ever deal. Canada's second-largest bank will acquire Memphis-based First Horizon Corp. for US\$13.4 billion. Thus, expect the big bank stock to make waves in 2022 and beyond.

Tremendous opportunity

TD Group's CEO Bharat Masrani said, "First Horizon is a great bank and a terrific strategic fit for TD. It provides TD with immediate presence and scale in highly attractive adjacent markets in the U.S. with significant opportunity for future growth across the southeast."

Leo Salom, Group Head of TD's U.S. Retail, couldn't agree more. He said, "The southeastern U.S. represents a tremendous opportunity for TD and the addition of First Horizon's commercial and specialty banking capabilities will position us as a leading national player in commercial banking."

As early as March 2021, TD was ready to use its excess capital for mergers and acquisitions across the border to expand its footprint. First Horizon CEO Bryan Jordan is also ecstatic about the coming business combination. He said, "We have built a very strong business at First Horizon, and by joining forces with TD, we will create extraordinary value for our key stakeholders."

True growth story

Jordan described the all-cash deal as a true growth story. Besides boosting TD's network, the balance sheet will strengthen with the addition of about US\$55 billion and US\$75 billion of loans and deposits,

respectively. According to management, TD will not close all client-facing branches. First Horizon is present in 22 states and has a total of 1,560 stores plus a customer base of 10.7 million.

The parties expect to close the deal by Q1 fiscal 2023. Once complete, TD's adjusted earnings per share will immediately increase. Also, the Canadian lender should realize about US\$610 million in cost synergies. More importantly, the transaction will make TD the sixth-largest bank in America.

Caution to Canadians

TD raised its prime lending rate to 3.2% following the second interest rate hike by the Bank of Canada this month. For homebuyers obtaining credit for a home purchase, a fixed-rate mortgage can help reduce the risk of interest rates moving up in the future. The drawback, however, is that it will not follow an interest rate drop.

With the low-interest rate environment over, Alex J. Lee, a high-net-worth Planner at TD Wealth, cautioned Canadians. He said, "Be careful with [real estate purchases](#) and leveraged investing in the months ahead. You might find yourself in a position where the cost of borrowing has gone up and the asset you purchased might be worth less. You don't want to take a hit on both ends."

Rock-solid investment

TD remains a rock-solid investment choice for risk-averse and long-term investors. The \$169 billion bank has a dividend track record of 165 years. At \$90.66 per share, the dividend offer is 3.90%. Buy this big bank stock today and hold it forever.

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