This Is a Great Time to Buy Stocks for the 1st Time

Description

Timing the market is futile and nearly impossible. I've frequently bought stocks that have kept going down and sold stocks that kept going up. However, an environment where *all stocks* are going down is better for beginners and first-time stock pickers. Here's why.

Valuations determine performance

In general, lower valuations are better for long-term investors. A stock trading at 11 times earnings is far less risky than a stock losing money and trading at 20 times revenue!

During market corrections, the valuation of all stocks drops. That makes the overvalued ones less risky and the undervalued ones attractive. Robust companies with market dominance and healthy cash flows are excellent targets for first-time stock pickers. As long as the company can sustain (or expand) its earnings during the market correction, it should deliver great results for patient investors. Here's an example.

TD Bank stock

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a prime example. The stock is down by 5% year to date, while other stocks have lost double-digit percentages. That's because it is backed by solid underlying fundamentals.

Bank stocks have been sold off as investors pull back from the market. However, things could change. Toronto-Dominion Bank is one of the banks well positioned to profit from the economy, steadying amid a much higher interest rate environment.

Rising interest rates are expected to bolster banks' profit margins, as they make most of their revenues from charging interest on loans. However, a slowdown in the economy amid the relatively high-interest rate environment could be bearish for the sector, as it would hinder credit growth.

When Toronto-Dominion Bank reports its second-quarter results, the focus will be on net earnings, which have shown significant improvements in recent quarters. In the first quarter, net earnings improved to $3.83 billion, or $2.08 a share, from $3.38 billion, or $1.83, delivered the same quarter last year. Net income growth was up 11% to $2.25 billion.

Given its large U.S. footprint, Toronto-Dominion Bank remains well positioned to benefit from higher interest rates. Net income in the first quarter was up 27% in the U.S. to $1.27 billion, which is expected to increase as the FED hikes rates.

Currently, the stock is trading at a discount with a price-to-earnings multiple of 11, down from 31. The 5% pullback, in our view, presents an opportunity to buy the stock at a discount. In addition, the stock offers an attractive 3.86% dividend yield, which should excite investors looking for passive income.

Bottom line

Market turmoil isn't fun for stockholders, but it could be excellent for beginners. Lower valuations make robust companies much more attractive. TD Bank has shed 15% of its value from all-time highs. Meanwhile, its income is expected to rise along with interest rates. That means fundamentals are improving while the stock is dropping.

For first-time stock pickers, this is an excellent opportunity to add exposure to one of Canada's leading banks.

CATEGORY

1. Bank Stocks
2. 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. kduncombe
2. vraisinghani

Category

1. Bank Stocks
2. Investing

Date
2025/07/21
Date Created
2022/05/19
Author
vraisinghani