TFSA and RRSP Investors: Here's a Better Bank Stock for Your Buck

Description

Your TFSA and RRSP are for investing over the course of decades. Sure, it's enticing to chase the quick or easy money, but doing such can be counterproductive. Remember, the higher a stock climbs, the more room it could fall in a bear-case scenario. So, if a stock doubles or even triples in a matter of months, you can expect such gains to be surrendered right back to the markets. While some huge gains are sustainable, investors must proceed with caution. Assuming past gains are sustainable is never a good idea, especially heading into a recession and higher-rate environment.

Can you make huge gains off growth plays at this juncture?

Certainly, many quality secular growth stocks have likely overshot to the downside. At the same time, the growth trade will not be an easy one until we get more clarity from the Federal Reserve and Bank of Canada. If they're more hawkish, with more surprise 100-bps hikes (like those delivered by the Bank of Canada recently), you'd better expect more of the same with the battered growth plays.

So, unless you're a courageous young investor with conviction in a name, I think there's easier money to be made in value. I have no idea where rates will settle and when the market's stomach will be less upset over hawkish Fed comments. Until investors and market watchers expect nothing but an incredibly hawkish tone, growth will be a roller-coaster ride. And if you don't have the stomach, you may wish to wait a bit for the dust to settle before considering initiating a position.

In this piece, we'll have a closer look at one of the best value stocks that have profits to fall back on. Unlike free-falling growth plays, profitable value companies have present-day fundamentals to fall back on. Though a recession could cause earnings erosion, I think that it's far easier to draw a line in the sand for firms in the value space.

Consider **TD Bank** (TSX:TD)(NYSE:TD), one dividend stud that faces hurdles ahead, but is more than capable of leaping over them in an astonishing fashion.

TD Bank: A better bank for your buck!

TD Bank has been sagging alongside the rest of the Canadian banking cohort in recent months. As well run a bank as TD is, it's hard to steer clear of a recession's impact. Those dreaded loan losses return, and analysts can turn against the bank stocks at a dime.

During the 2020 market meltdown, I encouraged investors to buy TD on the dip, despite analyst downgrades. Loan losses were at a high point, and nobody saw the rebound to come. Eventually, TD popped, and shares hadn't looked back until recently. As we seem to be entering another recession, I'd encourage dip-buying for long-term investors who could use a 4.2% dividend yield (or more if shares sag further).

Recently, TD clocked in some pretty solid earnings results, bucking the recent trend that saw its peers fall short. The firm clocked in an impressive $3.21 billion profit in Q3, beating expectations. The profit was down year over year, but, given the circumstances, TD is a relative outperformer that may be the new leader of the group.

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Date
2025/07/19
Date Created

2022/08/28

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