



Bet on This Top Canadian Stock's Post-Recession Recovery

Description

The 2020 market sell-off has been weighing heavily on everyone's portfolios. The situation feels hopeless for many market newcomers who bought stocks for the first time in 2021.

Indeed, it seems like this rough ride will never end. While it may be tempting to hit the sell button and exit before the recession arrives, it's worth noting that this bear market won't seem so remarkable down the line. Remember that on your investment journey, you'll encounter all sorts of dips, blips, plunges, and [crashes](#). While the bear market we're currently experiencing may be one of the worst in a long time, it's unlikely to be a game-changer if you stay in the markets for decades at a time.

If anything, [new investors](#) should view the fact that markets are on the retreat as an incredible opportunity. How could buying a stock you loved in 2021 at a fraction of the cost be bad? To thrive in the investment world, investors must adopt a long-term value hunter's mindset.

Block out the noise. Focus on the long-term!

Pundits on television may be in a rush to predict how bad the recession will be (if it'll even happen) and where markets will go from here. Indeed, such commentary may be view-worthy from an educational standpoint. However, keep in mind that nobody (Warren Buffett included) has the ability to time markets and know for sure what lies ahead. Uncertainty must be embraced for a shot at long-term gains.

With stocks sagging over the looming Fed-mandated recession, it's time to think ahead. Take a cue from the great Wayne Gretzky and don't skate to where the puck is right now, skate to where you think the puck is headed next. That's how Gretzky was able to become the Great One and how I think today's investors can achieve solid results in 2023 no matter what it may bring.

With a recession baked into the equity markets, start turning your attention to the post-recession recovery. Now, nobody knows if it'll take a year or more to fully recover. Regardless, it will come and bear fruit for those with a long-term investment horizon.

On that note, let's look at a stock that's historically skyrocketed from past recessions. Remember that when you're focusing on a company's ability to recover from a recession, you still need to acknowledge that further near-term downside is likely. Be ready to average down, and you can improve your positioning for the next post-recession bounce, whenever it might be.

A Dividend Champion to rely on

In this environment, I like the Canadian banks. **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) seems like a standout to me, given its recent barrage of acquisitions amid market turmoil. TD has spent billions over the past 15 years to buy regional banks and build a significant presence in the U.S.

These acquisitions included buying **First Horizon** for US\$13.4 billion. TD also recently announced plans to buy U.S. brokerage firm Cowen Inc. for \$1.3 billion in cash. In prior pieces, I praised these acquisitions and gave management a gold star for their performance through past market declines.

TD Bank isn't a stock that'll hold its own when a recession comes. But it tends to be quick to ricochet off the bottom. As shares continue to tumble, the dividend yield will grow. And it's this swelling payout that should act as an incentive to buy as others hit the panic button.

TD has a great track record of distribution growth with a compound annual dividend-growth rate of about 11% since the mid-1990s. The bank raised its dividend by 13% late last year and another double-digit increase is likely on the way for fiscal 2023.

TD's dividend has survived worse. So, if you can lock in a dividend in the 4-5% or even 6% range, your future self will thank you for braving the rough waters. Indeed, a 4% yield seems negligible in an era where inflation is at 7%. However, inflation *will* back down. And TD's dividend will grow.

In due time, TD's dividend will be far more influential than inflation, and that's when real wealth creation can begin. Brave out these tough times, and you'll have a front-row seat to better days ahead.

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Date

2025/08/14

Date Created

2022/09/30

Author

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