



## The Next Canadian Stock I'm Going to Buy

### Description

Most market observers agree that September is the worst month for stocks. In Canadian markets, this year is no different, following the 4.5% decline of the TSX from August 31 to September 30, 2022. The index fell 2.2% in Q3 2022 compared with Q2 2022. Canada's primary stock market will start the fourth quarter with a 13% year-to-date loss.

Investors are anxious about the tightening monetary policies. Disconcertingly, economists believe that more rate hikes might push the economy into recession. However, if you want to invest in a [declining market](#), consider buying the **Toronto Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) next. If you already own the Canadian stock, hold or purchase more shares.

### Short-term pressure on Canadian banking stocks

Canada's [banking sector](#) isn't immune to market volatility and should weather the storm. Because of their financial stability, Big Bank stocks are staples in any investment portfolio, especially for dividend investors and retirees.

According to Patrick Kim, a partner at Georgian Capital Partners, the pressure of rising interest rates on bank stocks is short-term, and should lead to larger profits over the long term. Kim said, "We believe that the rising rates will support higher net interest income at the banks. Banks with strong capital structures are still well-positioned to keep increasing dividend payouts."

With a market capitalization of \$156.3 billion, TD is Canada's second-largest lender. Though down 10.1% year to date, the bank stock is bound to rebound when the economy improves. At \$84.72 per share, the dividend yield is an attractive 4.2%.

### Growing businesses

Bharak Masrani, TD Bank Group's President and CEO, said, "We enter the final quarter of fiscal 2022 with growing businesses, a powerful brand, and proven ability to drive consistent execution across the

Bank. In a complex macroeconomic environment, we are well-positioned to continue investing in our business and create long-term value for our shareholders.”

In the first three quarters of fiscal 2022 (ended July 31, 2022), net income increased 2.3% year over year to \$10.75 billion. Masrani cites the increased customer activity and TD's deposit-rich franchise for the continued business momentum and strong financial performance.

Unquestionably, Canadian bank stocks are getting a boost from U.S. growth prospects. During the quarter, the net income of Canadian Retail and U.S. Retail Banking increased 6% to \$2.3 billion and 11% to \$1.4 billion, respectively, versus Q3 2021. The former generated a record \$7 billion in revenue. Moreover, TD's proposed acquisition of Cowen Inc. is expected to expand the bank's presence in capital markets and accelerate its U.S. dollar growth strategy in Wholesale Banking.

## Better scale and rate of return

Notably, TD will become the sixth-largest bank in the U.S. once it completes the acquisition of First Horizon by November 2022. TD's expanding Southeastern footprint will serve as a significant regional hub in Memphis and Knoxville. Post-acquisition, the Canadian bank will have about \$614 billion in U.S. assets and 1,560 branches in 22 states .

Among Canadian banks, current and would-be investors should be comforted by TD's staying power. TD has a dividend track record of 165 years. From the impending U.S. growth, investors can expect better scale and a higher stock return.

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