



## Rates Rise Again! Here's Why I'm Buying TD Bank Stock

### Description

The Bank of Canada (BoC) moved to increase the benchmark interest rate by 50 basis points on Wednesday, October 26. That brought Canada's benchmark interest rate to 3.75%. Policymakers have reiterated their commitment to fighting inflation, as domestic consumers continue to be crushed under the weight of these prices. Today, I want to discuss why I'm looking to snatch up **TD Bank** ([TSX:TD](#)) stock in this environment. Let's jump in.

### Here's why higher interest rates could give a boost to TD Bank and its peers

Shares of TD Bank have dropped 11% in 2022 as of close on November 1. That has pushed this top bank stock into negative territory in the year-over-year period. TD Bank stock is up 1.6% over the past month.

Higher interest rates present a challenge for Canada's [top financial institutions](#). However, rate tightening also contributes to improved [profit margins](#) for credit products at the [top Canadian banks](#). Unfortunately, this also means that loan growth tends to suffer a sharp retreat. Moreover, the weight of these interest rate hikes has also impacted broader consumer spending and business investment. These conditions are increasing the odds for a domestic and/or global recession in 2023.

### Should you be excited ahead of the final batch of bank earnings?

Investors can expect to see this top bank unveil its final batch of fiscal 2022 earnings on December 1. In the third quarter of 2022, TD Bank reported adjusted net income of \$3.81 billion, or \$2.09 per diluted share — up from \$3.62 billion, or \$1.96 per diluted share, in the third quarter of fiscal 2021. Meanwhile, adjusted net income in the first nine months of the fiscal year climbed to \$11.3 billion, or \$6.18 per diluted share, compared to \$10.7 billion, or \$5.83 per diluted share, for the same period in the prior year. Overall, Canada's second-largest bank by market share still managed to put together a strong

performance.

However, there were signs of trouble on the horizon in its third-quarter report. For example, Wholesale Banking net income dropped 18% from the previous year to \$271 million. This was due to non-interest expenses and an increase in provisions for credit losses (PCL). Meanwhile, both its Canadian and U.S. Retail Banking segments continued to deliver positive results.

TD Bank is still well positioned to deliver strong profits in the final quarter of fiscal 2022. In the third quarter, the bank boasted that higher interest rates led to improved net income in both retail banking segments. Rates have only shot up higher in the months that have followed.

## Why I'm buying TD Bank stock today

TD Bank stock currently possesses a favourable [price-to-earnings ratio of 11](#). That puts this top bank stock in favourable value territory compared to its industry peers. Better yet, it offers a quarterly dividend of \$0.89 per share. This represents a very solid 4% yield. The recent interest rate hikes should spur you to snatch up this top bank stock, which is still undervalued, offers nice income, and is well positioned to deliver strong results, even in these challenging economic times.

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