1 Oversold Dividend Stock (With a 4% Yield) I'd Buy This November

Description

The equity market sell-off in 2022 has dragged stock valuations across multiple sectors lower. But a lower stock price drives dividend yields higher, making these oversold stocks attractive to income-seeking investors.

One such oversold blue-chip stock trading on the TSX is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). One of the largest banks in North America, TD stock is down almost 20% from all-time highs, increasing its forward yield to a tasty 4.1%.

A higher interest rate environment will result in the rising cost of debt for individuals and corporations. So, loan books for TD Bank and its peers might narrow in the near-term as money supply in the economy is brought under control. However, this will also boost the bottom line for banking companies, allowing them to expand adjusted earnings and offer further dividend increases.

Let's see why TD Bank is an oversold TSX stock that should be part of your equity portfolio right now.

Is TD Bank stock a buy right now?

Toronto-Dominion Bank is the second-largest bank in Canada in terms of market cap, net income, and net assets. However, its customer deposits are the highest compared to its Canadian peers.

The Canadian banking sector is highly regulated, while their counterparts in the U.S. are much more aggressive. But a conservative approach has allowed TD Bank to maintain a healthy balance sheet and tide itself over in economic downturns. While most U.S. banks suspended dividends during the financial crash of 2008, TD Bank maintained these payouts, showcasing the resiliency of its fundamentals.

The company's Tier 1 capital ratio is currently the second highest in North America which should inspire investor confidence.

TD Bank continues to eye expansion in the United States and is a top-10 bank in North America. It's the sixth-largest bank by total assets and the fifth-largest by deposits in the continent. In recent months, TD Bank announced the acquisitions of **First Horizon** for $13.4 billion and **Cowen** for $1.3 billion.

The acquisition of First Horizon will provide TD Bank with access to 22 states south of the border, while Cowen will enable it to expand asset management capabilities on a global scale.

What next for TD stock price and investors?

Toronto-Dominion Bank ended the most recent quarter with $517 billion in cash, providing it with enough liquidity to pursue acquisitions and fund inorganic growth. TD is using its financial prowess to create multiple revenue streams and enter new markets, which should result in revenue and earnings growth in the future.

TD stock has returned 1,110% to investors in the last 20 years after adjusting for dividends. So, an investment of $10,000 in TD stock back in November 2002 would be worth over $120,000 today. Comparatively, the **S&P 500 Index** has surged 526% in this period.

20 years back, investors could purchase 667 shares of TD Bank for $10,000, which would have generated $373.52 in annual dividends over 12 months. If you own 667 TD shares today, your annual dividends will amount to $2,375, increasing your effective yield from 3.73% to 23.75% over time.

Despite its outsized gains, TD Bank stock is valued at 11.3 times forward earnings which is quite cheap. Comparatively, its earnings are forecast to rise at an annual rate of 17.6% in the next five years. After accounting for its dividend yield, TD stock should surge by 10% in the next year.

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