TD Stock Rose 4.6% in November: Is it a Buy Today?

Description

Canada's banking sector is thriving, despite the economic climate and bear market. The largest banks in particular are outperforming this year. **TD Bank** (TSX:TD), for instance, is up 4.6% in November. It lost just 7% of its value year to date, some of which was offset by its above-average dividend yield.

Will the stock rebound sharply in 2023? Here's a closer look.

Economic outlook

While the overall economic outlook for Canada is bleak, banks are in a better position. Canada faces a recession next year. Meanwhile, inflation is still historically elevated. That means consumer-related businesses and the property market will see some downside in the near term. Banks are exposed to this.

However, Canada's banks are well capitalized. The Big Five banks also have enough market share to keep raising interest rates on consumers when the Bank of Canada raises its prime rate. That has helped these financial giants preserve their profit margins.

Meanwhile, bank stocks are trading at lower valuations to prepare for the economic pain ahead. The banking sector's average price-to-earnings (P/E) and price-to-book (P/B) ratios are 9.2 and 1.4, respectively. The 10-year average P/E and P/B ratio is 10.9 and 1.8. That means bank stocks have priced in the downside and could see some upside.

TD's performance

TD Bank stock has lost 7% of its value this year. Meanwhile, the company's underlying business is rock-solid. Yesterday, the bank reported net income of $4.06 billion in the fourth quarter of 2022. That's 5% higher than the same quarter last year.

The bank also reported $2.18 in adjusted earnings per share. Analysts were expecting $2.07 per share this quarter. Growth in the financial giant's consumer, commercial, and insurance services led to this windfall. Consequently, the team has raised its dividend payout from 89 cents to 96 cents. That's a 7.8% boost!

Altogether, TD Bank is in good shape.

TD Stock valuation

TD Bank trades at a P/E ratio of 11.3 and a P/B ratio of 1.76. Those ratios are higher than the peer group average. However, TD is the second-largest bank in the country and probably deserves a premium because of that.

The stock also offers a 4.18% dividend yield. That's higher than the TSX Index average of 3.35%.

For most income-seeking investors, TD Bank is a safe bet for 2023. The financial giant could face some headwinds (recession) and tailwinds (higher interest rates). However, the stock could be better positioned to *preserve wealth* than most others. That's why it deserves a spot on your watch list.

Bottom line

Canada's biggest banks are rarely exciting. In 2023, the economic outlook for the banking sector is mixed. However, the largest banks have enough cash on the book and pricing power to sail through the economic downtrend ahead. That's why investors looking for a place to park their cash should consider buying this stock now.

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