



Down 19.62%: Is TD Stock a Buy Right Now?

Description

Canada's [bank stocks](#) have historically been some of the most reliable long-term assets for Canadian investors. Whenever major economic issues arise, bank stocks are also the first to stumble and decline on the stock market. The tumultuous 12 months in 2022 already showed stock market investors what can happen to bank stocks. Many of the biggest names declined by up to 15% from their all-time highs.

Toronto-Dominion Bank ([TSX:TD](#)) is one of the Big Six Canadian bank stocks that I will focus on today. As of this writing, TD Bank stock trades for \$87.67 per share. At current levels, it is down by almost 20% from its 52-week high. Let's look at whether it can be a good addition to your portfolio right now.

How Toronto-Dominion Bank ended fiscal 2022

The Big Six are all fundamentally strong financial institutions and have been around for a long time. Between long-term capital gains and reliable shareholder [dividend payouts](#), these bank stocks have made many Canadian stock market investors wealthier over the decades.

Earnings growth has slowed for some of the Canadian banks in the fourth quarter of fiscal 2022, while others were busy increasing provisions for loan losses. Considering persistent inflation and further interest rate hikes in the coming months, the provisions will likely remain high for the next few quarters.

The quarter saw TD Bank report a 22% growth in its net income, hitting the \$17.4 billion mark. Its average deposit volumes also improved by 4% from the same period in the previous year. The real kicker is that its common equity tier-one (CET1) ratio was around 16.2% at the end of October 2022, putting it higher than regulatory requirements and beyond the industry average.

The last decade has seen TD Bank grow its earnings at an impressive 9% annually. It also boasts an average of 15% return on equity in that time. The stability in its earnings growth reflected its stock's performance. TD Bank stock delivered at a 13% compound annual growth rate in that time, going beyond the Big Six average of 11.5%.

TD Bank increased its dividend payout by 8% after ending the fourth quarter of fiscal 2022. As of this writing, it boasts a juicy 4.38% dividend yield and a manageable 37.59% payout ratio. With its U.S. banking segment growing rapidly compared to its domestic operations, TD Bank looks well positioned to improve its bottom line, despite troubles in the local economy.

If we see any improvements in the second half on the inflation front, it may be able to reduce its loan loss provisions to further improve its financial position.

Foolish takeaway

I will not outright call TD Bank stock better than its closest peers. With the targeted inflation level still a distance away, further interest rate hikes will negatively impact all bank stocks, including TD Bank.

It is possible for TD Bank stock's growth to slow down further and its share prices to decline in the short term. However, it looks attractive as a long-term investment, considering its strong financial position and reliable dividend payouts.

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