



TD Stock: Here's What's Coming in 2023

Description

The world economy is predicted to grow slowly in 2023, as financial conditions tighten. Myriad issues face the global economy, which continue to provide headwinds for North American stocks. That said, with valuations declining to multi-year lows in many cases, investors are now increasingly on the lookout for deals. For investors considering **Toronto-Dominion Bank** ([TSX:TD](#)) stock in this environment, it's a difficult call.

A leading Canadian bank, TD provides investors with exposure to both the Canadian and global markets. With lending volumes expected to decline due in part to rising rates, it's unclear what the growth outlook will be for TD stock on the horizon. That said, should the economy get through whatever period of discomfort (recession or not) in short order, any near-term dip may be intriguing for long-term investors.

Let's dive into the 2023 outlook for TD Bank.

China's COVID policy worsened by the winter, and Europe's natural gas issues continue.

TD stock remains a top dividend choice for investors

By banking industry standards, TD stock offers a relatively high [dividend](#) and excellent growth. Among Canadian banks, TD Bank is experiencing some of the highest revenue growth and is also increasing its dividend in line with profits.

The company's current dividend yield of roughly 4.3% is meaningful. This is generally in line with short-term bond yields, making TD stock one of the more attractive bond proxies on the market right now.

Thus, for investors seeking a reliable passive-income stream, TD is often one of the first picks for those looking to build a dividend-paying portfolio. It also helps that the company has an impressive long-term growth track record, which is superior to most of its peers.

Two significant deals set to close in 2023

On the growth front, TD Bank is a mover and a shaker, as far as Canadian banks go. The company's largest transaction is scheduled to close in 2023. TD Bank is purchasing FHN for \$13.4 billion. For that amount, it will receive assets worth \$85 billion (\$115 billion in Canadian dollars at the current exchange rate) and earnings worth \$861 million (\$1.17 billion in Canadian dollars at the current currency rate) assuming no increase in the following year.

The fee TD will pay for each extra day after the closing deadline is one of the First Horizon deal's drawbacks that has drawn criticism from many people. On a yearly basis, the price is \$0.65 per share, or \$1 million each day in total. If you utilize trailing earnings, the transaction's price-to-earnings ratio rises to 15.96 after adding \$0.65 per share. For a bank, that is extremely high.

Additionally, TD's acquisition of Cowen is also on the radar for many investors. Shareholders of Cowen recently approved this transaction. The valuation of the Cowen deal is lower than that of the First Horizon deal, but this is still a deal which is expected to be accretive to TD shareholders. Those thinking long term may like TD's ability to nab these deals at relatively low valuations compared to last year.

Bottom line

TD Bank is one of Canada's top banks, to put it simply. This is a lender with incredible long-term growth and dividend metrics, allowing this stock to fit into a rather wide range of investor portfolios. As we kick off a new year, this is a stock with plenty to watch moving forward.

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