TD Bank Stock: The Run Isn't Over

Description

As the **TSX** continues to hover around all-time highs, investors may be looking for increased portfolio diversification. After all, some stocks have run incredible lengths in a short amount of time. Thus, rebalancing one's portfolio can be a good thing to consider in this environment.

For investors without exposure to banks, Canadian banks provide some of the best (and most stable) returns among their global peers. With interest rates dipping and headwinds appearing to be materializing right now, bank stocks are dipping. This could be a great time to pick up shares of world-class bank **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) right now.

Here's why.

Expectations running high for TD bank stock

Numerous analysts have spoken to TD's ability to generate outsized returns. Indeed, TD bank stock has been one of the best performers among its peers in recent years.

There are good reasons for this.

TD's strength in retail banking and brokerage services is notable. Particularly, the company's focus on American consumers has served TD well. The company made big investments in the U.S. right after the financial crisis, picking up dirt-cheap assets the bank has leveraged for its outsized gains. Investors have reaped the benefits of these strong strategic moves in recent years.

Additionally, TD remains one of the best-capitalized banks among its peers. The company's return on shareholder equity of 14% and 8% earnings growth over the past decade probably has something to do with this.

Over the near- to medium-term, I expect TD's earnings to be incredible. As the American consumer continues to spend and invest, TD will be a direct beneficiary of this trend. Approximately 40% of the company's revenue is derived from the U.S., making TD bank really a U.S. bank, compared to its peers.

I think more acquisition opportunities may be pounced on if the timing is right for TD. Accordingly, this is a company with a tremendous amount of room to grow its already fast-growing revenues south of the border.

Bottom line

TD's business model has led to rather impressive earnings growth in recent years. This is reflected in the company's stock price, which is materially higher year over year. This recent dip ought to be viewed by investors as a buying opportunity right now.

Indeed, long-term investors can't go wrong picking up a 3.9% dividend yield while one waits for capital appreciation to materialize.

Trading at less than 11 times earnings, TD bank is a bargain of a stock. Indeed, those who believe this bank's growth prospects are as solid as I do would do well to consider this value in today's overvalued market.

I think a tremendous amount of upside remains with TD bank and would recommend investors consider holding this gem over the long term. Historically speaking, that's been a great move. I don't think anything's changed with the long-term thesis on this company.

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Date
2025/06/28
Date Created
2021/07/20
Author
chrismacdonald