



Toronto-Dominion Bank (TSX:TD): 2020 Q3 Earnings Preview

Description

The major Canadian banks are all set to report quarterly earnings this week. **Bank of Nova Scotia** kicks it all off as the bank reports on Monday, August 25. **Royal Bank of Canada** and **Bank of Montreal** will follow on August 26.

TD Bank ([TSX:TD](#))([NYSE:TD](#)) is set to report its 2020 Q3 earnings Thursday, August 26. The company will release its financial results before the market's open.

Last week, I previewed both [Royal Bank of Canada](#) and [Bank of Montreal](#). I discussed what I'd be keeping a close eye on when each bank reports its quarterly earnings. With TD wrapping up the earnings season of the Big Five banks, I've covered a topic that I'll be watching when management presents the company's 2020 Q3 results.

Bank stocks are trailing the market

It's no secret that bank stocks have not been among the top-performing stocks throughout the year. A major reason for that is due to interest rates dropping far below what they were projected to be at this point in 2020.

The COVID-19 pandemic has disrupted economies across the globe, which has led to many country's lowering its interest rates. This environment has largely reduced the profitability of banks, which explains why the major Canadian banks have, for the most part of the year, trailed the broader market's returns.

TD Bank

TD sits behind only RBC in terms of market cap size among Canadian banks. Valued at roughly \$110 billion, the bank provides banking services to both personal and commercial customers. The bank has also recently been investing into its wealth and commercial management division.

In TD's [most recent quarterly report](#), headlines mostly surrounded the provisions for credit losses. These provisions will likely continue to be a focus on the call Thursday, but my focus will be toward the

digital adoption rates over the past three months.

TD is typically considered one of the more advanced Canadian banks when it comes to the digitization of its products and services. The bank prides itself in shaping the future of banking in the digital age.

Digital adoption rates jumped from 2020 Q1 to Q2, and I'm expecting to see an even higher increase in the Q3 results. Management highlighted in the Q2 earnings call that it witnessed record numbers of new daily registrations for digital services and a substantial increase in usage of mobile deposits and email money transfers.

Looking toward Q3 results, I'll be interested in having a better idea of the types of customer activity that the bank believes will be long-lasting. While banking habits have undoubtedly been affected in the short term throughout the pandemic, this may be a massive opportunity for TD to showcase its digital prowess to increase market share by winning over new customers.

Foolish takeaway

Bank stocks may not be the most exciting companies to follow today, especially with many tech stocks hitting new highs on a daily basis. That said, major Canadian banks have been a [model of consistency](#) for decades, and each of the major banks pays a healthy dividend yield at today's prices.

In the short term, there may be more pain to come. It might be a couple of years before the major banks are back to similar levels of growth.

For long-term Foolish investors, now is a great time to pick up shares of a major Canadian bank that's been on your watch list for a while.

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