



Have Emerging Market Struggles Affected Bank of Nova Scotia?

Description

On Tuesday, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) became the last of the major Canadian banks to report first quarter earnings for 2014. The bank reported profit of \$1.7 billion for the quarter, a 6.5% increase over last year, in line with analyst estimates. The bank also raised its dividend by 3% – the shares now yield about 4%.

Continued success at home

Just like the other banks, Bank of Nova Scotia's Canadian banking division did very well, with a 7% increase in profit year-over-year. Clearly the concerns about high consumer debt levels and an overheated real estate market have not yet affected it. Nor have they affected the other banks for that matter.

Also like its peers, the wealth management business continued to perform well, with earnings up 15%. This is partly due to increasing asset values after a great year for stocks in 2013. But it is also due to Bank of Nova Scotia's increasing emphasis on the division, which included pension acquisitions in South America last year. The bank hopes that wealth management can eventually comprise 20-30% of total net income.

Struggles abroad

What separates Bank of Nova Scotia from its peers is its emphasis on international banking, especially in Latin America and other emerging markets. International banking profit for the first quarter was \$401 million, accounting for 23% of the bank's overall earnings. By comparison, **TD Bank's** ([TSX:TD](#))([NYSE:TD](#)) earnings from the United States accounted for only 19% of its total. That ratio was 14% for **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)).

The first two months of 2014 have not been kind to emerging markets, and Bank of Nova Scotia has not been entirely immune. It has had the worst stock performance of the major Canadian banks, with its shares falling by nearly 5% in 2014. The company claims that it is not affected by the problems in emerging markets, since countries like Colombia and Peru continue to achieve excellent growth. But international banking net income did fall by 2% year-over-year, and remains a work in progress.

Foolish bottom line

The economies of Latin America and other emerging markets always seem to be the main determinant of Bank of Nova Scotia's fortunes. Over the past two months, the news has not been so good. But over the past 15 years, the bank has performed exceptionally well, taking advantage of a wonderful run for these geographies.

Looking ahead, Bank of Nova Scotia's fortunes will continue to be tied to these markets. For investors who want exposure to emerging markets, but want to stick to local companies, this stock remains a compelling option.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BMO (Bank Of Montreal)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:TD (The Toronto-Dominion Bank)

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