Toronto-Dominon Bank and The Bank of Nova Scotia: 2 Bank Stocks Worth Owning in 2015

Description

This year has mostly been a good one for the Canadian banks. Canada's housing market continued its strong run, stock markets were up for most of the year, and the banks continued to set earnings records.

That being said, there are certainly worries for the banks. The housing market seems to be overvalued, Canadians are very indebted, and oil's plunge is threatening the country's economy. So what should you do as we head into 2015?

Well, there are two banks in particular worth holding: **Toronto-Dominion Bank** (TSX: TD)(NYSE: TD) and **The Bank of Nova Scotia** (TSX: BNS)(NYSE: BNS). Below we explain why.

Why you should hold TD Bank

TD has been on an incredible run, not just this year, but over the past decade. It has established itself as a premier retail bank, has managed risk brilliantly, and has become very popular with both customers and shareholders. For most of this year, it was the most expensive bank of the big five.

More recently, there have been a couple of issues. Fourth-quarter numbers were below expectations. The low oil price is worrying a lot of investors. And the CEO said the operating environment would be "challenging" in 2015.

As a result, the share price dipped by 10% in about two weeks. But this seems to be an overreaction by investors. TD is not heavily exposed to the energy sector, and the fourth-quarter numbers are just a temporary setback. The "challenging" remarks should come as no surprise.

So now, even though the stock price has recovered slightly, you can buy TD shares for a very attractive price, at only 13 times earnings.

Why you should hold The Bank of Nova Scotia

Of all the big five banks, 2014 has been most challenging for The Bank of Nova Scotia, Canada's most international bank. The year started with the company's shares falling by 8% in January, due to a selloff in emerging markets stocks. Then throughout the year, the bank struggled in the Caribbean, which caused overall numbers to fall short of expectations. As a result, it's the only big five bank with a falling share price in 2014.

But when investing in Canadian banks, it's often a good idea to invest in the worst-performing stock. This is because investors tend to overreact to short-term issues, and slumping stocks can often be scooped up for a bargain as a result. This situation is no different.

To illustrate, The Bank of Nova Scotia still has a great franchise in Latin America, which should be an engine for growth in the years (even decades to come). And the shares trade for only 11.5 times earnings.

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BNS (Bank Of Nova Scotia)
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