



## Emerging Markets Are the Next Hot Play: Cash In With This 4% Yield

### Description

It has been a bumpy ride for emerging markets over the last two years. The slump in commodities, high levels of debt, and poor fiscal policy caused markets to experience significant economic downturns. The **MSCI Emerging Markets Index**, which represents 23% of all developing economies, fell to its lowest level in almost seven years as growth across the developing world stalled.

Nonetheless, the recovery in commodities has caused many of these economies to return to growth, inducing a rally in the MSCI Emerging Markets Index, which is up by almost 6% over the last year. Along with the reforms undertaken by governments in the developing world, this indicates that there is more upside to come, making now the time for investors to boost their exposure to these markets.

### Now what?

For Canadian investors, this couldn't be easier with Canada's third-largest bank by assets **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), which possesses a solid business footprint across Latin America. It is now the third-largest bank in Peru, the fifth-largest bank in Colombia, and seventh-largest bank in Mexico.

It has also focused on expanding that presence in recent years; it acquired a controlling interest in the financial services business of Chile's largest retailer **Cencosud S.A.** This deal closed mid-last year and made Bank of Nova Scotia the third-largest credit card provider in Chile.

The bank also boosted its presence in Peru at the end of 2015, purchasing **Citigroup Inc.'s** retail and commercial banking business for an undisclosed sum. Management has also stated that they intend to make more acquisitions in the region with a focus on Mexico, which is Latin America's second-largest economy.

This considerable presence across Latin America leaves Bank of Nova Scotia well positioned to take full advantage of the region's economic revival.

This economic recovery has surprised many pundits.

Not only did many economies prove resistant to the global financial crisis almost a decade ago, but they have continued to grow strongly despite the slump in commodities. Despite being sharply impacted by the oil slump, Columbia's economy expanded by 3.1% in 2015 compared to a mere 1.2% for Canada in that year.

The countries on which Bank of Nova Scotia has focused also possess rapidly expanding middle classes and young populations. Along with these countries being heavily underbanked, these attributes provide it with a ready-made and rapidly expanding market into which it can grow.

The opportunities that this strategy offers are highlighted by the bank's third-quarter 2016 results. Net income from its international business grew by almost 9% year over year, and much of that was derived from Latin America. This strong growth can only continue because of the economic recovery that is currently underway.

### **So what?**

These reasons make Bank of Nova Scotia an appealing means for investors to gain solid exposure to emerging markets without leaving the comfort of Canada. While they wait for this strategy to boost the bank's bottom line and its stock price, they will continue to be rewarded by a sustainable dividend, which has an attractive 4% yield.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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mattsmith

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