Why Investing in Bank of Nova Scotia Is Right for Your Portfolio

Description

Investing in Canada's big banks has long been considered one of the safest investments in the market. They offer impressive growth and income potential, and, in most cases, the income-producing potential of the banks far outclasses any of the banks south of the border.

When compared to each other, most of the big banks are fairly similar in many aspects, even down to when they announce quarterly updates.

While **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is one of those big banks, it has some compelling points that differentiate the bank from its peers, making it an impressive holding. Here are some of those reasons.

Bank of Nova Scotia is a truly international bank

As the third-largest bank in the country, you would expect that Bank of Nova Scotia has a sizable footprint both in and out of Canada. While this is true, Bank of Nova Scotia's work with the Pacific Alliance is one area where the bank truly sets itself apart from its other peers.

The Pacific Alliance is an agreement between Mexico, Columbia, Peru, and Chile aimed to improve partnerships and forge strong trade agreements. Ultimately, the Alliance aims to slash barriers on trade between member states and simplify or even remove visa requirements between member states.

International banking can be both a pain and a bridge depending on the organization(s) involved. Bank of Nova Scotia realized the opportunity that the Alliance presented, and through offering services in all of the member states, the bank has become a bridge to better relations between the Alliance members, and the dealings between them has resulted in significant revenues for Bank of Nova Scotia.

How significant? Bank of Nova Scotia's international operations contributed over $2 billion in earnings during the current fiscal year. It could contribute more next year as the bank continues to focus on the Pacific Alliance to lead international growth.

Bank of Nova Scotia and the oil industry

Bank of Nova Scotia has a fair amount of exposure to the oil and gas sector, which hasn't had the best of years. Back in January of this year when oil dipped below US$30 per barrel, the bank's stock also took a dive due to that exposure.

While that exposure is still there, there are two factors that are likely to keep pushing oil and Bank of Nova Scotia up over the next year.

First, OPEC's agreement this past fall to cut production will help push prices up. While there's no guarantee that OPEC will keep production low, OPEC nations need higher oil prices as much as–if not more than–Bank of Nova Scotia does.

Second, the unexpected election of Donald Trump has sent shockwaves throughout the market, as the president-elect continues to proclaim a series of policy shifts for the incoming administration. One of those notable shifts is with respect to the oil industry, which is something the new president-elect supports and has said he will work to expand.

Financial results that speak volumes

Bank of Nova Scotia continues to perform admirably during earnings season, which is another reason the stock can be considered a great addition to any portfolio. In the most recent quarter, the bank not only beat analyst expectations, but it also shored up a significant amount of capital, which could translate into share buybacks or an acquisition or two coming in the new year.

In the most recent quarter, Bank of Nova Scotia posted revenues of $6.75 billion, representing an increase of over $600 million over the same quarter last year. Earnings topped $2.01 billion–stronger than the $1.84 billion reported in the same quarter last year. On a per-share basis, earnings came out to $1.58 per share, bettering analyst expectations of $1.51 per share.

In terms of a dividend, Bank of Nova Scotia pays a quarterly dividend of $0.74 per share, which gives the bank a very attractive yield of 3.89% at the current stock price.

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