



New RRSP Investors: Should You Own Bank of Nova Scotia or Enbridge Inc.?

Description

Canadian investors are searching for quality stocks to hold inside their self-directed RRSP portfolios.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) to see if one is an interesting pick today.

Bank of Nova Scotia

Investors often bypass Bank of Nova Scotia in favour of its larger peers, but that might not be the best long-term strategy.

Why?

Bank of Nova Scotia is betting big on Latin America with a special focus on Mexico, Chile, Colombia, and Peru, who are members of the Pacific Alliance.

The trade bloc promotes the free movement of goods and capital among the participating countries and represents a combined consumer market of more than 200 million people.

As the middle class grows, demand should increase for loans and investment products, and Bank of Nova Scotia is positioned well to benefit. The international operations already account for nearly 30% of the bank's profit, and that could increase in the future.

What about Canadian housing exposure?

Bank of Nova Scotia's mortgage portfolio was \$197 billion at the end of fiscal Q2 2017. Insured mortgages represent 54% of the loans and the loan-to-value ratio on the rest is 51%. This means house prices would have to fall significantly before the bank takes a material hit.

The dividend currently provides a yield of 3.9% and should be safe, even if things get ugly in the Canadian housing market.

Enbridge

Enbridge wrapped up its \$37 billion acquisition of Spectra Energy earlier this year. The deal added strategic natural gas assets to complement Enbridge's heavy focus on liquids pipelines and created North America's largest energy infrastructure company.

The business has \$27 billion in secured growth projects on the go as well as an additional \$48 billion of risk-weighted opportunities.

As the new assets are completed and go into service, Enbridge expects to see cash flow grow enough to support annual dividend increases of at least 10% through 2024.

The current distribution provides a yield of 4.8%.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for an RRSP portfolio.

If you only choose one, I would probably make Enbridge the first choice today. The stock likely offers better dividend growth over the medium term and should see a nice move to the upside if sentiment changes in the energy sector.

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
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