



## Profit From Interest Rate Hikes With Bank of Nova Scotia

### Description

When the Bank of Canada finally hiked interest rates to 0.75% last month, speculation started almost immediately on if and when a second interest rate hike would follow; most pundits point towards October as a likely timeline.

Interest rates can be a real boon to some businesses, particularly those operating in the financial services segment of the economy. Canada's big banks stand to benefit greatly from the increase in interest rates, and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is poised to benefit the most.

Banks make the bulk of their revenue from lending money and charging interest. When interest rates rise, the banks pull in more revenue from those higher interest rates. Even better, with consumer debt and real estate prices hovering near record levels, there's a lot of debt outstanding that the banks are making money from.

If interest rate hikes are appealing to all banks, what sets Bank of Nova Scotia out from the rest of the crowd?

### Bank of Nova Scotia's growing international footprint

Bank of Nova Scotia is regarded as the most international of the big banks, and for good reason. Bank of Nova Scotia has expanded over the past few years into the member countries of the Pacific Alliance — a set of agreements between the nations of Mexico, Columbia, Peru, and Chile.

The Pacific Alliance has a goal of eliminating tariffs between member states to increase trade and foster better relations, moving towards shared consular services. Beyond the four current members, there are over 40 observer nations to the treaty; several nations are currently in the process of becoming full members.

Bank of Nova Scotia's strong showing in all the member states has allowed the bank to quickly become the universal banker for the Pacific Alliance, which has proven lucrative during earnings season.

From an interest rate perspective, the Pacific Alliance members already have higher interest rates than the Bank of Canada, which snowballs into better results for Bank of Nova Scotia.

In terms of results, the international segment of the bank reported net income of \$595 million in the most recent quarter, representing an impressive 19% increase over the same quarter last year. By comparison, the Canadian segment realized net income of \$971 million — a 1% decrease over the same quarter last year.

The global banking and markets sector reported net income of \$517 million in the most recent quarter, which came in 60% higher than the same quarter last year.

### **Can Bank of Nova Scotia thrive with higher interest rates?**

Bank of Nova Scotia has been operating in a low-interest environment for the past decade and posting record-breaking profits. With the shift to higher interest rates, investors can expect the bank to realize a boost over the next few quarters as outstanding loan rates creep upwards to account for the recent interest rate uptick.

In my opinion, Bank of Nova Scotia remains a great investment opportunity, and should interest rates continue to rise, that opportunity will only increase.

### **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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### **Date**

2025/07/28

### **Date Created**

2017/08/17

### **Author**

dafxentiou

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