



## Is Bank of Nova Scotia or BCE Inc. a Better Choice Today?

### Description

Canadian investors are searching for [top-quality stocks](#) to add to their portfolios, and the recent pullback in the market is providing some interesting opportunities.

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

### Bank of Nova Scotia

Investors often skip Bank of Nova Scotia when choosing a Canadian bank stock for their portfolios, but the company probably deserves more respect, especially when you take a long-haul approach.

### Why?

Bank of Nova Scotia has invested heavily in building a large international business, with the majority of the focus on Mexico, Peru, Chile, and Colombia. These countries represent the heart of the Pacific Alliance, which is a trade bloc set up to promote the free movement of goods and capital. Combined, the four markets are home to more than 200 million consumers.

As the middle class grows in the region, demand for loans and investment products should increase and Bank of Nova Scotia is positioned to benefit. The international operations already generate close to 30% of the bank's profits, providing a nice hedge against any potential downturn in the Canadian economy.

Dividend growth is steady, and investors who buy today can pick up a yield of 4.1%.

Bank of Nova Scotia currently trades at a lower earnings multiple than its two larger Canadian peers. The exposure to Latin America likely has something to do with it, but the Pacific Alliance countries are more stable than they have been, and the market might be underestimating their potential.

### BCE

BCE is a major player in the Canadian communications market and continues to expand its reach.

The company bought Manitoba Telecom Services last year in a move that bumped the telecom giant into top spot in the Manitoba market and set it up with a strong base in central Canada. Later in 2017, BCE launched Lucky Mobile, the company's new low-cost prepaid mobile service. At the start of 2018, BCE closed its purchase of home security provider AlarmForce.

On the network side, BCE is pushing ahead with its fibre-to-the-premises investments in major markets. Toronto now has an all-fibre broadband network in operation and BCE plans to expand the rollout. The ongoing investment in state-of-the-art technology should ensure that BCE maintains its dominant position in the segment.

The company recently reported steady Q1 2018 earnings and expects free cash flow growth of 3-7% in 2018. The dividend should be safe and currently provides a 5.6% yield.

Rising interest rates have some pundits concerned BCE, and other go-to dividend stocks could see additional selling pressure if investors switch to fixed-income alternatives. Some transition should be expected, but the pullback in the stock since December might be overdone.

#### **Is one more attractive?**

Both stocks should be top-quality picks for a buy-and-hold portfolio.

If you only buy one, I would probably choose Bank of Nova Scotia today. The company likely has higher growth potential than BCE over the long term, and rising interest rates tend to be beneficial for the banks.

#### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

#### **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BCE (BCE Inc.)
4. TSX:BNS (Bank Of Nova Scotia)

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