



A Top Dividend Stock Investors Can Bet on When Rates Are Rising

Description

Interest rates expectations are changing fast after the Bank of Canada hinted yesterday that it's ready to start monetary tightening again from July.

While the bank removed the "cautious" from its statement yesterday, the wait for the next rate hike is over and it's ready to act again to keep inflation in check. This surprise element in the latest announcement driving up the value of the Canadian dollar by more than a full cent yesterday.

In the stock market, expectations of higher interest rates also boosted the share values of Canadian banks, which generally benefit from climbing rates, as they make more money on consumer loans, such as mortgages and credit cards.

If you're on the hunt for a good financial stock that pays dividends with the potential for further hikes, then do consider **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), Canada's third-largest lender. Here are the top reasons why I like Scotiabank stock for dividend investors.

Expanding global franchise

Scotiabank has been growing its [international operations](#) in emerging markets to diversify its income base and capture the robust growth potential of the Pacific Alliance — an economic bloc consisting of on Mexico, Peru, Chile, and Columbia.

During the second quarter, Scotiabank showed investors how important its international business has become for its bottom line. Strong loan and deposit growth helped push profits from the South American region by 14% to \$675-million in the three months ended April 30.

After the recent deal activity in the region, Pacific Alliance is forecast to contribute 30% to the bank's total revenue over the next three years, up from 23%. The bank's Canadian business, which currently accounts for 52% of total revenue, is likely showing growth in line with the trends.

Last year, Scotiabank bought the majority stake in BBVA Chile for \$2.9 billion. Once finalized, the move would make Scotiabank Chile's third-largest privately owned bank, thereby doubling its share of the Chilean market to 14%.

Growing dividends

Scotiabank has been consistently [raising its dividends](#), making its stock attractive for long-term income investors. The lender has paid a dividend every year since 1832, while it's hiked its payouts in 43 of the last 45 years.

The bank's earnings momentum suggests that that Scotiabank will continue to return more cash to investors in the years to come. The lender beat analysts' estimate for both revenue and profit in the second quarter. Its profit rose to about \$2.2-billion, or \$1.70 a share, compared with \$2.06-billion, or \$1.62 share, in the same quarter last year.

Adjusted for certain items, the bank earned \$1.71 per share, four cents ahead of the consensus estimate among analysts according to Bloomberg L.P. Revenue was nearly \$7.1-billion, up from about \$6.6-billion a year earlier.

The bottom line

Trading at \$77.83 at the time of writing with an annual dividend yield of 4%, BNS stock is almost 10% down from the 52-week high. With the forward price-to-earnings multiple of 10, I consider Scotiabank stock a good bargain, especially when Bank of Canada is raising interest rates and the economy is going strong.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks

- 3. Investing
- 4. Stocks for Beginners

Date

2025/09/29

Date Created

2018/05/31

Author

hanwar

default watermark

default watermark