Does Bank of Nova Scotia (TSX:BNS) Stock Offer the Best Value Among the Canadian Banks Right Now?

Description

Someone I know asked me the other day, “What is the best stock I can buy right now for my retirement account?”

After giving it some thought, I told the man that most believe you can never go too wrong with an investment in one of the Canadian banks.

They all pay healthy and growing dividends, they are all relatively protected from the threat of competition from foreign banks, and they are all the beneficiaries of operating in what is, for the most part, one of the most stable economies anywhere on the planet.

Sure, there are some who will point to the growing accumulation of household debt that has been taking up Canadian balance sheets since the last financial crisis.

While there is truth to this, at the same time I would argue that both the regulators and Canada’s central bank, the Bank of Canada, have done a pretty good job to date of being proactive about managing the risk of Canada’s housing market, which, if you’ll recall, was the canary in the coal mine that eventually spelled disaster for the United States market a little more than 10 years ago.

Or, you could also point to the escalating trade tension between Canada and the United States of late as a reason to stay away from Canadian stocks in general for the time being.

The fallout from a potential trade war between Canada and its single largest trading partner could actually prove to be the bigger threat against the market than household debt levels.

Not only would additional tariffs on U.S. goods raise prices on everyday items, putting pressure on Canadians household budgets, but there is also the additional threat that industries that export a lot of their products to the United States could see a reduction in their demand, which could lead to layoffs and unemployment.

That would not be good at all for the economy or its lenders, which could begin to experience an increase in the levels of defaults and missed interest payments.

It’s not as bad as it sounds

But in truth it really isn’t all doom and gloom — or at least it’s not as bad as you’ll read in the newspapers. Keep in mind that the naysayers have been calling for an end to the current bull market for years now to no avail.

Meanwhile, if you were going to dip your toe in the Canadian stock market, the best opportunity among the Canadian banks right now might very well be found in the shares of **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

While many of the banks, including **Toronto-Dominion Bank** and **Canadian Imperial Bank of Commerce**, have been experiencing some pretty strong gains in recent months, Bank of Nova Scotia shares have found themselves lagging behind the pack.

Today, Bank of Nova Scotia shares more than likely offer investors the best value in the sector.

Bank of Nova Scotia stocks trades at a 4.34% dividend yield, which is the second-highest dividend yield of the Canadian banks and trades at a price-to-earnings ratio of 11.2 times, which is a significant discount to the rest of its peers.

Long-term buy-and-hold investors may want to use this opportunity to add to their positions in Bank of Nova Scotia on recent weakness.

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