



Should You Buy Bank of Nova Scotia (TSX:BNS) Stock Before Q3 Earnings?

Description

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) stock has dropped 5.3% in 2018 as of close on July 30. Shares are in marginally negative territory year over year. Its most recent quarterly results have been positive, but volatility in global markets have not been kind to the stock in the spring and summer.

Scotiabank is notable for its significant exposure to emerging markets, particularly in Latin America. This is one of the reasons I focused on Scotiabank in this [March article](#). At the time, emerging markets were outperforming their North American and European counterparts, but this has not been the case in the spring and early summer. The **Vanguard FTSE Emerging Markets ETF**, for example, has dropped 4% in 2018 so far.

Political turmoil in Latin America and rising protectionism is also worrying news for emerging markets going forward. The International Monetary Fund (IMF), World Bank, and other international organizations have warned that a trade war could severely hinder global growth heading into the next decade. News on the domestic side has also been troubling. Canada learned recently that it had been frozen out of a round of NAFTA talks between the U.S. and Mexico, and it appears the Trump administration is attempting to coerce concessions out of the Trudeau-led government.

Scotiabank is set to release its third-quarter results on August 28. In the second quarter, profit in the Canadian banking segment rose 5% year-over-year to \$1.01 billion on the back of strong asset growth and higher margins, which was a common trend among the big banks in the second quarter. Another rate hike from the Bank of Canada on July 11 should boost margins and retention rates, but this is also likely to slow loan growth going forward. Scotiabank responded by rising its prime lending rate from 3.45% to 3.7% on the day of the announcement.

Its international banking segment saw net income rise 14% from the prior year to \$675 million. The bank reported strong loan and deposit growth in Latin America and was also boosted by a lower effective tax rate. For the year-to-date, net income in the international banking segment had climbed 15% from the prior year to \$1.34 billion.

Should you buy Scotiabank stock today?

Back in May I'd [recommended investors stick with Scotiabank](#) stock ahead of its previous quarterly report. Although there are political as well as economic concerns in Latin America, it has managed to avoid some of the harsher rhetoric that has erupted between the larger global economic powers. Much of the emerging market weakness has stemmed from Chinese markets bleeding value in the midst of the U.S.-China trade spat that has escalated in recent months.

Scotiabank stock also offers a quarterly dividend of \$0.82 per share, which represents a 4.2% dividend yield. This is the second-strongest yield out of the Big Six Canadian banks. Like other banks, Scotiabank will be vulnerable to volatility in the near term, but its dividend and progress in Latin American markets make it a solid addition ahead of its third-quarter report.

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Date

2025/08/17

Date Created

2018/07/31

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