TFSA Investors: An Undervalued Canadian Bank That You Can Bank on Today

Description

It doesn't matter who you are, Canadian bank stocks are permanent must-owns!

Trust me, you're not doing yourself or your TFSA portfolio any favours by shunning them — whatever your reasons for avoidance. Sure, a handful of Canadian banks have a high short interest, but time after time, the shorts have been proven wrong as banks continue to beat and raise, enriching many long-term investors in the process.

The red-hot Canadian housing market is seen as a single source of failure. And while some banks are more exposed to domestic mortgages than others, the Big Five Canadian banks have shown promise with their stress tests.

Each one of their management teams is pulling the levers to become more robust so that they're not caught with their pants down the next time the tide goes out again as it did during the Financial Crisis of 2008.

So, now that you're feeling peachier about Canada's banks, which one is the "best bank for your buck?" You could undoubtedly scoop up any bank and do well over the long term, but at any given point in time, there's usually a bank that's trading at the largest discount to its intrinsic value.

Today, I believe that bank is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) after its abysmal past year performance. With Scotiabank stock down nearly 13% from all-time highs, Big Red is an unfortunate outlier compared to its peers in the Big Five.

The company's capital markets business has been a drag on the company, but the international segment, led by Latin America with 14% growth on a constant currency basis, is still firing on all cylinders and is poised to deliver above-average returns over the longer-term.

Moreover, Scotiabank is making acquisitions in high growth markets, and with a USMCA (NAFTA 2.0) deal in the cards, both the Mexican and Canadian businesses appear to have been relieved of pressure. The international business has never looked better, so if you're looking for a safe, indirect way to profit off of red-hot emerging markets, Scotiabank is a must-buy after its subtle plunge.

Foolish takeaway

You've probably heard that emerging markets are a great way to beef up your returns while simultaneously reducing the correlation between other domestic stocks within your portfolio.

It's true that you'll better your chances of achieving enhanced risk-adjusted returns by gaining some international exposure, and there's no safer way to do this than with Scotiabank, Canada's most international bank, at a nice discount.

If you're a long-term holder, add Scotiabank to your TFSA here and now, reinvest every cent of the dividend, and you'll be well on your way to building a good-sized nest egg in no time!

Stay hungry. Stay Foolish.

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