



This Big Bank's Expansion Provides a Great Hedge Against Market Volatility

Description

The turbulent week we just went through across the market has likely jittered many investors. The **S&P/TSX Composite Index** saw a retreat of over 3%, effectively ending a very long winning streak albeit for the moment. In fact, corrections such as the one we saw this week are a natural part of the market, and they highlight the need for investors to diversify their portfolios across a broad segment of the economy.

One intriguing investment that is worthy of consideration is **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)).

How to diversify with Bank of Nova Scotia

At least initially, selecting Bank of Nova Scotia as an investment to offset a temporary pullback in the Canadian market may seem a little odd, especially considering that Bank of Nova Scotia is one of [Canada's big banks](#). What investors need to do, however, is take a look at where Bank of Nova Scotia has expanded in recent years to see the opportunity that the bank poses for the long term.

Unlike most of its big bank peers, Bank of Nova Scotia opted to expand not into the U.S. market, but into the Latin American markets of Mexico, Columbia, Peru, and Chile. Together, these four nations comprise a trade bloc known as the Pacific Alliance, which is charged with improving trade between member nations, eliminating tariffs between members and providing joint consular services around the world.

To say that the bloc has been a success would be an understatement. Together, the four nations have over 220 million people and a PPP GDP that is well over US\$3.75 trillion. Since 2016, over 90% of tariffs have been removed on goods traded between member states, and the bloc is targeting to have all tariffs removed within the next 18 months.

The investments made by Bank of Nova Scotia provide a great moat against the growing uncertainty in the Canadian and U.S. market that many of Bank of Nova Scotia's peers have invested heavily into. Additionally, many of the Latin American nations of the Pacific Alliance have higher interest rates than Canada and are seeing a period of strong loan and deposit growth.

As an established lender with a strong presence in all of the member states, Bank of Nova Scotia has, in many ways, become a preferred lender and a familiar face for businesses looking to business within the bloc. This has led to an influx of business within the bank's international segment, which continues to provide double-digit growth for the bank during earnings season.

Bank of Nova Scotia even upped the ante recently by purchasing a majority interest in one of Chile's biggest banks, making Bank of Nova Scotia one of the largest lenders in Chile.

One more reason to consider Bank of Nova Scotia

Strong growth through international expansion provides a useful hedge against the domestic market, but Bank of Nova Scotia can also serve as a useful income generator. The bank offers a competitive quarterly dividend that currently provides an appetizing 4.52% yield.

Year to date, Bank of Nova Scotia has dropped over 10%, which, given the bank's strong growth and [income-generating prospects](#), provides investors with an opportunity to purchase a great stock at a discounted price.

At the time of writing, Bank of Nova Scotia trades just below \$72 with a very attractive P/E of 10.67.

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Date

2025/08/25

Date Created

2018/10/12

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