

## 2 Reasons Scotiabank (TSX:BNS) Stock Looks Like a Buy Today

### Description

**Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)** was my [top stock pick](#) for this November. Scotiabank had suffered the sharpest retreat of the big banks in 2018 so far, even in the face of what have been strong earnings. The harsh months of October and most of November have forced the stock down further, but I have viewed this as a buy-low opportunity.

Scotiabank stock climbed 2.82% on November 28. Shares are now up 3% over the past month. Today I want to explore two reasons the stock still looks like a strong pick up before December.

### Scotiabank caps off a rock solid 2018

As expected, Scotiabank released its fourth-quarter and full-year results on November 27. On an adjusted basis net income climbed to \$2.34 billion compared to \$2.07 billion in Q4 2017. The bank reported adjusted earnings per share of \$1.77 compared to \$1.65 in the prior year. For the full year, net income rose to \$9.14 billion on an adjusted basis over \$8.30 billion in 2017. Adjusted earnings per share increased to \$7.11 over \$6.54.

Its Canadian banking segment reported an adjusted profit increase of 7%, which was powered by asset and deposit growth, higher non-interest income, and margin expansion. The International Banking segment posted adjusted net income of \$746 million which was up 22% from Q4 2017. This segment was bolstered by loan and deposit growth in the Pacific Alliance.

Scotiabank also announced that it would sell its banking operations in nine Caribbean countries to Republic Financial Holdings Ltd. According to the bank, it elected to sell these assets due to increasing regulatory complexity that will give it a free hand to focus on larger-scale markets.

### Central banks are looking dovish for 2019

Earlier this month I'd recommended that Canadian investors consider [stacking up on Canadian bank stocks](#) in the middle of this global sell-off. One of the key reasons I was bullish on banks going forward was the dovish turn that central banks were likely to take in 2019. However, the good news for Canadian banks did not come from the Bank of Canada.

On November 28, U.S. Federal Reserve Chairman Jerome Powell suggested that there could be a pause on interest rate hikes in 2019, sparked a surge in U.S. and Canadian markets. Rising interest rates have been the source of anxiety for big finance in 2019, with some economists and analysts still skeptical that the economic fundamentals justify rate normalization. The dovish turn from the U.S. Fed will alleviate some of the pressure on the Bank of Canada, which has been very cautious with its gradual rate tightening path over the past several years.

Scotiabank and its peers have seen earnings boosted by improved margins in 2018, but financial institutions will likely welcome a more dovish environment in 2019 especially as growth is expected to

slow into the next decade.

These are two major reasons investors should consider scooping up Scotiabank stock today. The bank also maintained its quarterly dividend of \$0.85 per share, which represents a 4.5% yield. This represents the second-most attractive yield of the Big Six.

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