Why This Dividend Stock Is One of the Best Picks for 2019

Description

Dividend stocks, which lost their luster in 2018 amid rising interest rates, are looking attractive again as a threat of economic slowdown and trade wars is expected to force the central banks to slow their monetary tightening.

In this situation, it's prudent for income investors to start looking for some undervalued dividend stocks that could fit well in a buy-and-hold investment strategy.

Among the Canadian top dividend stocks, I find **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) trading at attractive levels. Here is why I like this stock better than its peers.

Surging profit

After almost 13% plunge this year, Scotiabank stock is the worst performer among the top five Canadian banks. There were a variety of reasons that prompted investors to dislike this bank.

One of the major concerns was the lender's $7-billion buying spree, including its US$2.2-billion deal for BBVA Chile last November. Its growing exposure to emerging markets, and a slowing Canadian mortgage market also played a role.

But in my view, Scotiabank strategy to expand in Latin America is what makes this lender different from others and is fueling growth in its bottom line.

In the fourth quarter, Scotiabank profit from international banking surged 22% to a record level. In order to pacify investors' concern about its increasing exposure to emerging markets, the bank is selling operations in nine nations in the Caribbean.

"Exiting these non-core operations is consistent with a strategy that began five years ago to sharpen our focus, increase scale in core geographies and businesses, improve earnings quality and reduce risk," Chief Executive Officer Brian Porter said Tuesday on a conference call.

Cheap valuations

These factors combined kept Scotiabank under pressure throughout 2018 and its shares underperformed other major lenders. With the forward price-to-earning of 8.93 x, Scotia stock is now the cheapest after Canadian Imperial Bank of Commerce. Its dividend yield at 4.79% is also near the highest level during the past five years.

Despite these attractive valuations, the question investors should ask is why the bank is set to outperform in 2019? According to *the Globe and Mail* research, lagging banks in Canada have an impressive track record of catching up with their big-bank peers relatively quickly.

Buying the prior year's worst-performing bank stock and holding it for one year has produced an average annual return of 17% (not including dividends), wrote David Berman in a recent report, citing data going back to 2000.

Bottom line

Trading at $71.75 at the time of writing, Bank of Nova Scotia stock is one of the best stocks that could stage a nice rebound in 2019. The lender has paid a dividend every year since 1832, while it's hiked its payouts in 43 of the last 45 years.

With the payout ratio of about 40%, there is plenty of room for the bank to continue hiking its $3.40-a-share annual dividend. With the 12-month consensus price estimate of $84.50 a share, BNS's valuations are compelling enough to place a long-term bet on this top dividend payer in 2019.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners
5. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks

3. Investing
4. Stocks for Beginners
5. Top TSX Stocks

Date
2025/09/28
Date Created
2018/12/09
Author
hanwar