In a Dangerous Market, Discounted Scotiabank (TSX:BNS) Is a TFSA Super-Stock

Description

The bear has finally awoken — the only big news being that it did so right before Christmas, and not some vague time during 2019, like everyone was expecting. Investors are looking for defensive stocks to stack in their TFSAs and RRSPs, with utilities and banks high on the agenda.

The following Big Six superstar stock is a perfect example of what the TSX index does best: a mix of diversified value and dividends just right for Tax-Free Savings Accounts. What better way to invest in the stock market than to stack lucrative bankers on a dip? Let's delve into the data and see why the following is a hot stock to buy now ahead of a potential recession.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

With interests that extend beyond our national borders and include the lucrative Latin America financials market, Scotiabank (as it is known to most folk) is a bank on a mission. Expansion is the name of the game, and with a one-year past earnings growth of 6.2%, Canada's international bank has shown that it can grow in a harsh economic environment. Indeed, that growth is even a shade above Scotiabank's own five-year average past earnings growth of 5.5%. A PEG of 1.5 times growth further indicates that the background fundamentals are solid for this top banking stock.

On that subject, a 6.8% expected annual growth in earnings isn't bad for the banking sector; indeed, any positive growth in a Big Six bank sitting astride a saturated market indicates a powerful hunger for expansion.

Debt-wise, this Big Six superstar holds an acceptable level of non-loans assets, though, like most other banks, it doesn't allow too well for bad loans. However, also like most other big-name TSX index bankers, Scotiabank has less than 2% of said bad loans.

How does Scotiabank score on the value-quality-momentum rubric?

In terms of value, despite gaining 2.95% in the last five days (which, by the way, shows how attractive a port this ticker is even in the worst of storms), it still has very attractive multiples: a P/E of 9.9 times earnings and P/B of 1.3 times book underline that PEG we just talked about, while a dividend yield of 4.98% is suitably sizable.

Moving beyond value to look at two other key factors that make up a buy, sell, or hold signal, we can see that last year's ROE of 13% is indicative of a fairly good pedigree, while a TSX-relative beta of 1.22 indicates slightly higher volatility than some of its competitors in the financials sector.

Let's look at one final piece of data that suggests that this top-level banker is a Bay Street wunderkind when it comes to value: its already discounted share price is down 22% against future cash flow, so there's some confirmation of those market fundamentals we trawled through a moment ago.

The bottom line

Scotiabank still returns a solid buy signal, even as we head full-bore into a bear market that's been rumbling for months on end. 2019 looks like it may be an even worse year for the TSX index than 2018, so stocks like Scotiabank should be your go-to if you want to stay invested but get defensive. Stack it in your TFSA or RRSP alongside some discounted miners and utilities for an unexpected New Year treat.

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