



Top Pick Tuesday: Should You Buy Nutrien Ltd. (TSX:NTR) or Bank of Nova Scotia (TSX:BNS)?

Description

Canadian savers are searching for top-quality dividend stocks to put in their self-directed portfolios.

This is a popular option for creating a [retirement fund](#) or for producing income to supplement pension payments.

Let's take a look at **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) to see if one might be an interesting buy right now.

Nutrien

Nutrien is one year into its existence after being formed through the merger of Potash Corp and Agrium. The two fertilizer players already co-marketed their potash production, so it made sense to hook up and create a global crop nutrients giant.

Integration efforts are going well with run-rate synergies coming in higher than expected. In addition, the downturn in the fertilizer market that spurred the merger appears to be complete. Spot prices are improving with strong demand and large wholesale contracts signed in 2018 with India and China were at higher prices than the previous year.

Nutrien raised its guidance a number of times last year and finished 2018 on a strong note. Adjusted net earnings came in at \$2.69 per share. For 2019, management anticipates that to rise to \$2.80-\$3.20.

The board raised the dividend by 7.5% for 2019 and Nutrien has an aggressive share-buyback program.

The stock has bounced off the December low near \$60 to \$73 per share, but more upside should be on the way. The company has state-of-the-art facilities, is driving down costs, and rising prices should boost margins. If the crop nutrient recovery really takes off, Nutrien has the potential to be a free cash flow machine.

The current payout provides a yield of 3.2%.

Bank of Nova Scotia

Bank of Nova Scotia is an attractive way for investors to get exposure to the emerging markets in Latin America through a top Canadian company. The bank has built a large presence in Chile, Colombia, Peru, and Mexico and continues to make strategic acquisitions in the region.

The four countries make up the Pacific Alliance, which is a trade bloc with a consumer market of more than 200 million people. As middle-class wealth expands, Bank of Nova Scotia should see steady demand growth for loans and investment products.

The international division posted the strongest results in the fiscal Q1 2019 earnings report. Adjusted net income increased 18% compared to the same period last year, supported by strong asset and deposit growth in the Pacific Alliance countries.

Bank of Nova Scotia currently trades at less than 11 times trailing earnings, which appears cheap compared to its larger Canadian peers. Investors might be waiting to see if three recent acquisitions deliver the expected returns.

The company just raised the quarterly [dividend](#) from \$0.85 to \$0.87. That's good for a yield of 4.7%.

Is one a better bet?

Nutrien and Bank of Nova Scotia should both be solid buy-and-hold picks for a dividend-focused portfolio. If you only buy one, Bank of Nova Scotia appears somewhat oversold right now, so I would probably make the bank the first choice today.

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