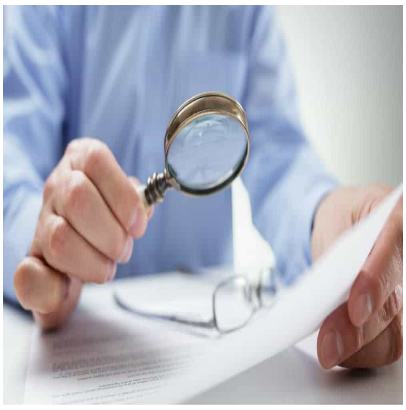

Is Bank of Nova Scotia (TSX:BNS) Stock a Buy Right Now?

Description

The Canadian banks have gone through some volatility in the past few years and that has investors wondering if the traditionally sound financial stocks are going to carry more risk going forward.

Let's take a look at the current situation and see if **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) deserves to be in your portfolio right now.

Turbulent times

The Canadian banks have enjoyed nice gains in the wake of the Great Recession, although there have been a couple of extended pullbacks that tested the nerves of long-term investors. This shouldn't come as a surprise, considering the meltdown that occurred from September 2008 to March 2009 wiped out 40% of Bank of Nova Scotia's value. During that period, the stock dropped from $50 to below $30 per share.

A year later, it had recovered the losses and the new rally nearly added an additional 50% through July 2014, taking the share price above $73. The stock then went into another decline that ran right through all of 2015 and eventually pulled back to around $54 per share in January 2016. Investors who decided to throw in the towel at that point probably spent the better part of the next two years yelling at their monitors as they watched the stock soar to a high above $84 in November 2017.

Last year was an ugly one for Bank of Nova Scotia, and it gave back a good chunk of the previous gains, falling to $67 just before the holidays arrived.

The early 2019 rally pushed the shares back up to $75 and now the latest dip has the stock trading at $71.

What's going on?

Pundits are now worried that we are headed for a global economic slowdown. In addition, the Canadian banks had a rough ride at the end of calendar 2018 and the pain was verified by some discouraging economic statistics for the country.

On the positive side, employment conditions remain solid, so there shouldn’t be too much concern about personal debt levels. The decision by the Bank of Canada to halt interest rate hikes coupled with the recent plunge in bond yields should also provide some relief for homeowners who have to renew their mortgages this year.

As long as companies don’t start cutting jobs in a big way, Bank of Nova Scotia and its peers should be fine in Canada.

International

Bank of Nova Scotia gets about 30% of its profits from its international operations, with the bulk of the action occurring in Mexico, Peru, Colombia, and Chile. The company has invested billions of dollars to expand its presence in the four markets and additional acquisitions are expected. The region is performing well for the bank and long-term opportunities are attractive as the middle class expands and demand increases for loans and investment products.

Should you buy?

Near-term pressure might continue, given all the media attention to the negative forecasts and the analyst calls that suggest a 20% dip could be in the cards. A quick look at the chart over the past decade will point out that a 20% dip at any point should be expected and isn’t really newsworthy.

Overall, investors with a buy-and-hold strategy should feel comfortable buying this stock on a dip. At the time of writing, Bank of Nova Scotia trades for a reasonable 10.7 times trailing earnings and offers a solid 4.8% dividend yield. The stock could very well drift back below $60 or we could see it soar to a new high before the end of the year. If you buy now, you get paid well to wait for the upside, and if the stock slides further, the drop should be viewed as an opportunity to add to the position.

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