



Should You Buy Bank of Nova Scotia (TSX:BNS) Stock in Your Retirement TFSA?

Description

Canadian savers are searching for top-quality stocks to add to their [TFSA](#) retirement fund.

What should investors buy?

A few months ago, you could pretty much throw a dart at the TSX Index and hit an oversold stock. However, Canadian equities have rallied hard since late December, gaining an average 20%. This has essentially wiped out many of the good deals that were available just before the holiday season.

Finding attractive buys has become a bit more difficult, but the market is still offering a few picks that generate solid dividends and appear cheap at their current price.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) to see if it deserves to be on your buy list today.

Growth potential

Bank of Nova Scotia has nearly 100,000 employees helping more than 25 million customers in Canada and around the world.

The international division accounted for 36% of the company's \$2.2 billion in earnings in fiscal Q1 2019, and that's the area of the bank that is likely to drive the most growth in the coming decades.

Bank of Nova Scotia is primarily attracted to opportunities in Latin America, where it has invested billions of dollars to acquire strategic assets in Mexico, Peru, Chile, and Colombia. These four countries are the core of the Pacific Alliance trade bloc that was set up in 2011 to enable the free movement of capital and goods among the member states. Combined, the countries are home to more than 225 million people.

As the middle class expands in the region, Bank of Nova Scotia should benefit from rising demand for

loans and other financial services products. In addition, commercial clients require a host of cash management services when they extend their reach into the other markets, and Bank of Nova Scotia's presence in each of the Pacific Alliance countries positions it well to capitalize on the commercial and corporate banking opportunities.

At home, Bank of Nova Scotia has recently focused on growing its wealth management business. The company made two major acquisitions last year and additional deals could be on the way once the integration of the new assets is complete.

Dividends

Bank of Nova Scotia has raised the dividend by a compound annual rate of 6% over the past decade. The current payout provides a [yield](#) of 4.7%. Investors should see steady increases continue in line with growth in earnings per share.

Valuation

Bank of Nova Scotia trades at 11 times trailing 12-month earnings. That's a pretty good discount to the 12.5 times earnings investors are paying for its two larger Canadian competitors.

Should you buy?

Bank of Nova Scotia's exposure to Latin America is perceived as being risky, but fears might be overblown and the current discount in the stock appears overdone. Investors might also be taking a wait-and-see approach as the bank works through the integration of the wealth management deals and a large acquisition in Chile.

Assuming the recent takeovers deliver the expected returns, Bank of Nova Scotia appears cheap today, and investors who buy now can pick up an attractive yield while they wait for sentiment to improve.

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