



## Are These 2 Top TSX Index Stocks Now Oversold?

### Description

A number of TSX Index giants have pulled back in recent weeks, and investors who missed out on the big rally to start 2019 are wondering if this might be a good opportunity to make a few contrarian bets for their portfolios.

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

### Nutrien

Nutrien was formed through the merger of Potash Corp. and Agrium at the beginning of 2018. The deal created the planet's largest supplier of crop nutrients to countries and growers around the world. Potash, nitrogen, and phosphate play an integral role as fertilizer for farmers who are constantly pushed to deliver better yield with increasingly less arable land.

Agrium's large retail division is also part of the mix, giving Nutrien a solid revenue stream to help offset the volatility that can occur in the commodity markets. Nutrien is expanding the retail operations through acquisitions, and that trend should continue amid a wave of consolidation in the sector.

Nutrien raised its dividend by 7.5% for 2019, and investors should see steady increases in the coming years. Full-year 2019 earnings are targeted at US\$2.80-3.20 per share, which is well above the 2018 results. At the time of writing, the stock trades at \$65 per share and the dividend provides a [yield](#) of 3.5%. Nutrien was above \$75 last August.

### Bank of Nova Scotia

Bank of Nova Scotia traded for \$80 per share at this time last year. Today, investors can buy the stock for \$71.

What's up?

The broader Canadian banking sector has come under some pressure due to concerns the slowdown in the residential housing market might hit results in the coming quarters, although not all of the banks are being treated equally by the market.

Bank of Nova Scotia has some company-specific items that might also be contributing to the dip in the stock price. The bank went on a buying spree last year, acquiring two large wealth management companies in Canada and a significant position in a bank in Chile.

That's a lot of integration to absorb in a short period of time and investors might be waiting to see if the purchases deliver the expected returns.

Bank of Nova Scotia has a large international division with most of the assets located in Mexico, Colombia, Peru, and Chile. Any time the broader global market appears to be headed for a rough ride, investors tend to get nervous that emerging markets could harbour greater risks.

Overall, Bank of Nova Scotia continues to deliver strong results and the company's Latin American businesses are delivering solid growth. The bank has a strong track record of integrating new acquisitions, so investors should feel comfortable with the moves over the past year.

The stock now trades at 10.4 times trailing earnings. That's pretty cheap given the ongoing strength in the Canadian economy and the growth that is occurring in the company's international operations. Investors who buy now can pick up a 4.9% yield.

## Is one a better bet?

Nutrien and Bank of Nova Scotia are top-quality companies with strong businesses that should deliver long-term growth. At the end of 2018, I would have made Bank of Nova Scotia the first pick. Today, I would probably split a new investment between the two names.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Metals and Mining Stocks
5. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:NTR (Nutrien)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:NTR (Nutrien)

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