Is Toronto-Dominion Bank (TSX:TD) or Bank of Nova Scotia (TSX:BNS) Stock a Better Buy?

Description

The share prices of Canada's big banks are bouncing back after a multi-month downturn, and investors are trying to decide which bank stocks might be the best picks right now.

Let's take a look at **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) to see if one deserves to be on your buy list.

TD

TD is broadly viewed as the safest pick among the five largest Canadian banks primarily due to its heavy focus on retail banking operations. The company also has a large presence in the United States that provides a nice revenue and earnings hedge against potential trouble in Canada.

TD reported fiscal Q3 2019 adjusted net income of $3.34 billion, or $1.79 per share. That's a solid 8% increase over the same period last year. Canadian retail banking operations saw adjusted earnings rise 3%, while the American division delivered a gain of 11%.

TD repurchased 11.25 million common shares in the quarter, taking advantage of the drop in the share price.

The bank is well capitalized with a CET1 ratio of 12%. This is a measure of the capacity to weather a financial crisis. According to capital and liquidity rules, all the big Canadian banks are required to have a CET1 ratio of at least 10%.

TD has a strong track record of dividend growth. The company has raised the payout by a compound annual rate of about 11% over the past two decades. The current distribution provides a 4% yield.

The stock is up from the recent low of about $71.50 to $74. That's still shy of the $80 high it hit in 2018 but well above the $65 bottom we saw during the correction late last year.

At the current price, TD trades at roughly 11.75 times earnings.

Bank of Nova Scotia

Bank of Nova Scotia also has a significant international presence, but its focus is primarily on Mexico, Peru, Chile, and Colombia.

The four countries make up the core of the Pacific Alliance, which is a trade bloc set up to enable the free movement of goods and capital. In total, there are more than 230 million people living in the combined markets.

Bank of Nova Scotia delivered solid fiscal Q3 2019 results after a couple of weak quarters that saw costs rise due to a string of acquisitions. Adjusted net income increased 9% to $2.5 billion and adjusted earning per share rose 7% to $1.88.

The board raised the quarterly dividend by $0.03 to $0.90 per share. That’s 6% higher than it was a year ago.

The stock is up from its recent low near $67.50 to $73 per share. Bank of Nova Scotia traded as high as $84 in late 2017. At the current price, investors can buy the stock for 10.7 times earnings and get a 4.9% dividend yield.

Bank of Nova Scotia is also in good shape to weather an economic slowdown with a CET1 ratio of 11.2%.

Is one more attractive?

TD and Bank of Nova Scotia should both be solid picks for a buy-and-hold portfolio. If you want the safest choice, TD is probably the way to go.

Otherwise, Bank of Nova Scotia appears oversold today and probably has more upside torque when equity markets rally. In the meantime, you get to pocket a great dividend yield.

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