



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

Description

Canadian savers are starting to put together a list of top stocks to add to their [RRSP](#) before the contribution deadline for the 2019 tax year.

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

International operations

Bank of Nova Scotia has spent billions of dollars in recent years to build a large international business, with the bulk of the investments targeted at financial institutions and credit card portfolios in Latin America.

The bank sees huge potential in the Pacific Alliance trade bloc, which includes Mexico, Peru, Chile, and Colombia. The four countries are home to more than 225 million people and have put in place an agreement to allow the free movement of goods, capital, and labour. The four stock exchanges are even integrated.

Banking penetration in the region is less than 50%, meaning there is a huge growth opportunity for Bank of Nova Scotia as middle-class wealth expands. When people have more money, they tend to take loans for cars, homes, and other purchases and seek out investment products.

On the commercial side, the open market is an incentive for businesses to expand operations into the other Pacific Alliance countries. This leads to demand for a variety of cash management service, and Bank of Nova Scotia's presence in the four markets makes it an attractive financial partner.

The international banking group continues to grow through acquisitions and is becoming a larger part of Bank of Nova Scotia's overall revenue stream. The division contributed \$3.2 billion in adjusted net income in fiscal 2019, representing about 34% of total profits for the year.

Canadian operations

Canada was a tough place for the banks to do business in fiscal 2019, at least when you compare the results to recent years. Bank of Nova Scotia's adjusted net income in the segment grew by just 2% to \$4.48 billion. This compares to a 13% increase in the international banking segment.

Bank of Nova Scotia's Global Banking and markets division fared worse, with a 13% decline in adjusted net income to \$1.53 billion.

Management is building up the wealth management business and will begin reporting the segment independently beginning in 2020. The company recently spent more than \$3 billion on two wealth acquisitions in Canada, buying Jarislowsky Fraser and MD Financial. The two companies are part of the new Global Wealth Management division.

Risks

Provisions for credit losses increased in 2019 compared to the previous year. This trend is common across most of the large Canadian banks and is worth watching in the coming quarters. Any meaningful economic downturn would put already struggling businesses and consumers in a more difficult situation and defaults could rise.

That said, Bank of Nova Scotia appears adequately prepared to ride out a rough patch. The bank is well capitalized with a CET1 ratio of 11.1%.

Should you buy?

Near-term volatility could present a better entry point, but investors with a buy-and-hold strategy for their RRSP might want to start nibbling on the stock. The long-term growth opportunity in the international group is attractive, and you get paid well to ride out any turbulence.

Bank of Nova Scotia offers an attractive dividend that should continue to grow at a steady pace. Investors who buy today can pick up a yield of 4.9%.

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