



3 Reasons Why Scotiabank (TSX:BNS) Is the Best Big Bank to Buy in 2020

Description

As you enter the new year, it might be time to re-evaluate your investment strategy when it comes to banks. Each one of the Big Five offers reliability, stable returns, and dependable payouts; but if I had to choose only one, I would go with **Bank of Nova Scotia** ([TSX:BNS](#)) ([NYSE:BNS](#)). It's the third-largest bank in the country and the most internationally recognized bank among the Big Six.

Though the bank has a history of trailing behind, especially when compared to its two bigger brothers, **Royal Bank** and **Toronto-Dominion**, last year was different. In 2019, Nova Scotia was the best-performing bank among the Big Six. It's one of the three reasons why I believe that Nova Scotia is the best banking stock to have this year.

Strong 2019

In a year where the king of the banking sector failed to meet expectations, Bank of Nova Scotia [rose to the occasion](#). In the fourth-quarter results, the earnings per share and the revenue generation were both according to the estimations. The bank is also the only one to generate positive quarterly earnings growth of 1%.

Nova Scotia also takes the lead when it comes to operating margin (40.24%), indicating effective management strategies and relatively low risk. The quarterly revenue growth is also high, second only to Royal Bank.

Diversified portfolio

Bank of Nova Scotia is the most international bank. The dominant leg of the global operations of the bank is extended to Latin America, as opposed to other banks that have concentrated international exposure to the U.S. This has exposed Nova Scotia to potential losses in some politically unstable countries. But it is also a potential gold mine once those emerging economies develop a proper momentum.

As per the last quarter's results, nearly two-fifths of the bank's total revenue was generated from the international banking segment. This level of exposure and a wide spread of assets puts the bank in a very steady position to weather the economic headwinds that are buffeting the local market.

Market value

Currently, the bank is trading at a monthly low of \$73.35 per share. Despite a strong fourth quarter, the bank is relatively undervalued right now. With the second-lowest price to earnings (10.99) and price to book (1.35) among the Big Five, the bank is trading relatively lower than its fair value. The bank also offers a juicy yield of 4.91%.

Foolish takeaway

The Bank of Nova Scotia seems [poised for a huge leap](#). The chances are that it will make the jump from a modestly growing bank to a fast-growing bank in the coming years. Since the local banking market is saturated, and Nova Scotia has the least stake in it, the bank won't slow down with the local market. Instead, it can focus on generating steady cash flow from within the country and enjoy growth opportunities overseas.

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