Should Investors Buy Scotiabank (TSX:BNS) or TD Bank (TSX:TD) Stock?

Description

There are several good reasons to buy Canadian bank stocks right now. Firstly, in the event of a recession, the government will have to shore up the Big Five banks as essential pillars of the economy. Despite being cyclical, bank stocks are therefore more defensive than they appear. To a certain degree, the biggest of the Big Five are technically untouchable and add backbone to a resilient stock portfolio.

The second reason: the Big Five banks offer reliable dividend growth. Aside from defensive qualities, a TSX investor with recessionary worries should be looking for stocks that offer passive income, along with the assurance of growing, well-covered payments. Again, the Big Five banks hold up in this regard, and count among Canada's go-to stocks for dependable buy-and-hold dividends.

A potential third reason to buy bank stocks would be in the event of an interest rate cut. In fact, a few signs point to just such an event this year. If you're bullish on a Canadian rate cut in 2020, then now might be the time to buy bank stocks. With the possibility of a bank stock rally, investors may want to lock in those bigger yields now before those value fundamentals start to go up.

Battle of the banks

Coming in at third place in the Big Five, **Bank of Nova Scotia** — better known as Scotiabank — underperformed both most of its peers as well as the **TSX** last year. With the general assumption that credit will decrease in quality this year, Scotiabank may find 2020 at least as tough as 2019. However, the housing market may rebound, giving Scotiabank a boost.

More seriously, perhaps, could be Scotiabank's exposure to the Pacific Alliance. With economic headwinds facing Latin America, a region responsible for a significant amount of Scotiabank's growth in income, the Big Five banker could face a deteriorating share price this year. The thesis for value opportunities is strong: long-range investors should back up the truck on a dip in 2020.

From the third-largest bank in Canada to the sixth-largest bank in North America. **Toronto-Dominion Bank** is a trillion-dollar behemoth that packs serious U.S. exposure. Paying investors a 4% dividend, this is the one to go for if growth among bankers fits your investment strategy.

TD Bank’s client base puts it far in the lead with an international customer pool of 26 million. The bank is a strong buy for shareholders interested not only in growth in the U.S. but also online banking — an arena in which TD Bank leads the way. The **Charles Schwab–TD Ameritrade** deal further bolsters TD Bank’s standing, creating a $5 trillion brokerage.

The bottom line

If investors are buying one Canadian bank stock right now for a combination of safety, growth, and income, it should be TD Bank. With its U.S. exposure and strength in the American economy, it’s arguably a safer play than Scotiabank. Continuing to expand stateside, where it already commands an impressive presence, TD Bank is a solid buy.

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