



Should You Buy Bank of Nova Scotia (TSX:BNS) or TD (TSX:TD) Stock Now?

Description

The share prices of Canadian banks plunged in recent weeks, hitting multi-year lows and driving [dividend yields](#) to levels not witnessed since the financial crisis.

A strong rebound after the March low sent shares soaring again, but the sector gave up some of those gains in the past week. Investors are now wondering if this is the right time to add the Canadian banks to Tax-Free Savings Accounts (TFSA) or RRSP [dividend](#) portfolios.

Recovery timeline

Efforts to slow the spread of the coronavirus are working in Canada. Talk is now turning to plans for reopening the economy. Front line medical workers say it is too early to remove social distancing restrictions. Businesses and their employees, however, hope to get the economy back on track quickly.

While Canadians are doing their duty in a very difficult time, there's a limit to how long people are willing to live this way.

Federal and provincial governments need to balance a desire to mitigate the impact of the recession with the need to ensure against a new wave of infections. Health professionals fear the hard work that helped keep the outbreak from overwhelming hospitals in Canada could be undone; that would be a disaster.

Letting people return to normal living only to send them back into lockdown would result in uncomfortable situations.

News of promising treatments and targets for vaccine developments emerge daily. The sooner the drug companies come up with effective medicine to help people who fall very ill, the faster the government will move on opening up the economy.

The International Monetary Fund (IMF) recently said the global economy will contract 3% in 2020. Next year, however, the IMF predicts robust growth. Based on that timeline, investors might want to start

nibbling on top-quality dividend stocks. The Canadian banks certainly fit that description.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#)) ([NYSE:BNS](#)) and **Toronto-Dominion Bank** ([TSX:TD](#)) ([NYSE:TD](#)).

Bank of Nova Scotia

Bank of Nova Scotia traded at \$74 per share in February, hitting a March closing low around \$47. It bounced as high as \$58 and recently slipped back toward the \$52 mark. At the time of writing, the stock trades for close to \$53.50 and offers a 6.7% dividend yield.

Bank of Nova Scotia gets about 30% of its net income from the international group. The operations are primarily located in Mexico, Peru, Chile, and Colombia. These countries are heavily reliant on revenue from oil and base metals production to drive economic growth.

The near-term outlook isn't great, however. Oil trades near lows not seen in two decades and commodity prices are down significantly. A strong global economic rebound, however, would likely lift fortunes quickly in the next few years.

TD

TD is best known for its Canadian retail banking business, but the company also has a large presence in the United States. In fact, TD operates more branches south of the border.

The U.S. is reporting the highest number of coronavirus cases and several cities are dealing with major outbreaks. Massive unemployment in the country has forced the Federal Reserve and the government to implement unprecedented stimulus measures and aid packages to help businesses and consumers get through the crisis.

Canada is doing the same and the impact could be robust growth in the two countries in 2021 and beyond.

TD traded at \$76 per share before the market crash. The stock price hit a March bottom around \$49 and then rallied as high as \$60. The recent pullback went as low as \$54.50. The shares currently trade at \$56 and provide a 5.6% dividend yield.

Is one a better bet?

Bank of Nova Scotia and TD both appear oversold right now and should be solid picks for a buy-and-hold portfolio. The distributions should be safe and investors get paid well to wait for the rebound.

Income investors might want to make Bank of Nova Scotia the first pick due to the higher yield. Those who prefer to avoid the potential risks associated with the Latin American markets should probably go with TD as the first choice.

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BNS (Bank Of Nova Scotia)
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