Buy This 1 Canadian Bank Stock for Income Growth

Description

Here are two words you're going to hear a lot more of over the remainder of 2020: *force majeure*. Technically, a pandemic isn't an unforeseeable event. It's not like there's never been one before. And governments should have been ready for one. However, as a legal argument for getting out of a contract, the spread of COVID-19 satisfies the definition. This is going to mean bad news for banks.

Indeed, *force majeure* clauses are going to start causing headaches across all industries. Clients are already going back on agreements they simply cannot fulfill under current economic circumstances. This is going to have a direct impact on moneylenders, as business customers default on loans. Of course, banks have always been at risk of credit quality. But it's never been like this before.

Today's best Canadian bank stock for growth

That's why if you're looking to invest in a Big Five Canadian bank today, there's at least one solid option. Only a few months ago, **CIBC** was looking like a great choice for a high yield. **TD Bank** was still a solid pick for large-cap stability. But neither of these names excel in emerging market exposure. Only one Canadian bank is a strong play for foreign market growth, and that's **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

Better known as Scotiabank, this moneylender gets its exposure to emerging markets growth from its Pacific Alliance operations. This Latin American trade bloc is comprised of Chile, Colombia, Mexico, and Peru and named for those countries' borders with the Pacific Ocean. The bloc benefits from coordinated financial, industrial, and, to an extent, social integration. Scotiabank is one of the foremost banks in the trade bloc.

In terms of performance, Scotiabank has turned in a solid few weeks, despite high market volatility. This Big Five ticker has seen 13% share price growth in the last month. Compare this with TD Bank's 10% rally. Yes, Scotiabank is down 28% year on year. But look at **BMO's** 36.7% share price loss in the last 12 months. By comparison, Scotiabank offers a mix of relative share price stability amid an economic crisis.

But don’t buy this name once and forget about it. This is a critical time for value investors especially as well as casual long-term shareholders. Add Scotiabank to your list of must-have names and buy the dips. This doesn’t mean that you should wait for the bottom and buy all in one go. Instead, decide upon the eventual size of your position in this Big Five bank stock and split it up into several portions to buy on weakness.

The bottom line

Remember when TD Bank was a buy for its U.S. upside? That focus has since gone south. Literally. Looking for growth and passive income in a defensive large-cap Canadian stock? Scotiabank satisfies this buying thesis and offers long-range safety. Banks are, of course, highly cyclical and track the volatility of the market. However, this one name offers something that few other bank stocks do: steady growth.

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