



## Revealed: My Top Canadian Bank Stock Pick for the Rest of 2020

### Description

Every Canadian bank stock got hammered with the rest of the market, as panicked investors chose to sell rather than wait around to see how COVID-19 would impact earnings.

Folks were in two camps. Some were saying this would only be temporary, and the sector would emerge victorious, just like it does after every recession. Others were far more alarmed, saying it would likely be years before the world returned to normal. After all, millions of Canadians are still out of work.

Heck, some of these naysayers predicted Canadian bank dividends would be on the chopping block. Considering there are millions of local investors who hold bank shares, this would have a very big impact on the financial well-being of the whole country.

Canadian bank earnings started to trickle in this week, and for the most part, results are pretty solid. Yes, the major players in the sector took large loan loss reserves, but that was no surprise. Investors were relieved the numbers weren't as bad as first feared — a bit of news that sent bank shares rallying earlier in the week.

Now that it looks like Canadian bank stocks are poised to rocket higher after this crisis, let's take a closer look at my favourite name in the sector for the rest of 2020.

### Better upside potential

Normally, I'm a fan of [holding quality banks](#) over the long term. Two names immediately come to mind, with both **Royal Bank** and **Toronto-Dominion Bank** being head and shoulders above their competition.

These names have a history of solid growth while maintaining excellent balance sheets. They've invested in technology to make staff more efficient, helping to lead to better financial results. Investors have rewarded both with higher valuations and lower dividend yields. This distinction continued during the COVID-19 market crash.

But let's face it. All of the major Canadian banks are excellent businesses. There are really just minor differences between each, yet some investors will treat each bank much differently. This periodically opens up interesting buying opportunities.

I believe **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) has the best upside of its Canadian bank peers because of this phenomenon.

As you likely already know, Scotiabank is Canada's international bank. It has a major presence in Latin American markets like Mexico, Colombia, Peru, and Chile. Some of these areas have been particularly hard hit by COVID-19, causing investors to worry about the health of their overall economies.

That's a short-term issue, one that will be nothing but a memory in a few years. Meanwhile, Latin America still has loads going for it. The region looks poised to deliver outsized economic growth for decades to come. As more folks get lifted out of poverty, they'll start to use bank services for the first time. And there's plenty of room for Bank of Nova Scotia to make additional acquisitions in the region, too.

As these issues start to get resolved, Scotiabank shares should rocket higher. We saw the beginning of this earlier in the week. We should see much more of it in the months ahead.

## Get paid to wait

Now that Scotiabank has told us it doesn't envision things getting quite as bad as expected, dividend investors can breathe easier. This Canadian bank stock currently offers a 6.4% dividend yield, a payout that looks likely to be maintained throughout 2020 before resuming dividend growth as early as 2021.

That's an excellent payout, especially in a world where so-called high interest savings accounts pay less than 1% annually.

Remember, Bank of Nova Scotia is one of a select few Canadian companies that have paid consecutive dividends for [longer than a century](#).

## The bottom line on this Canadian bank stock

Scotiabank is an excellent company that should provide solid long-term returns for Canadian investors. Add in a little extra upside potential when investors start to get bullish about Latin America again and it's a powerful combination. This is why I'm most bullish on this bank in 2020.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### POST TAG

1. Editor's Choice

## **TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

## **PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

## **Category**

1. Bank Stocks
2. Dividend Stocks
3. Investing

## **Tags**

1. Editor's Choice

## **Date**

2025/06/30

## **Date Created**

2020/05/29

## **Author**

nelsonpsmith

default watermark

default watermark