This Canadian Bank Stock Is a Must-Buy Right Now

Description

The Big Six Canadian banks have certainly seen their fair share risk and uncertainty baked into their share prices in recent weeks. The coronavirus outbreak has, in many ways, exposed already significant cracks beneath the surface of the financial system. These risks are still present. I will caution investors that more downside may indeed be on the horizon should financial system issues expand.

That said, now, I think it's fair to say that more than enough risk has been baked into Canada's large banks. In this article, I'm going to discuss the bullish case for why **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) may have the best value profile right now.

Fundamentals remain strong

When I say "strong," readers should know this is relative to other global large banks. In general, Scotiabank's fundamentals have surpassed its Canadian peers. These strong fundamentals will provide stability as they have during previous financial crises. Scotiabank, along with other large Canadian banks, has maintained relatively robust capital ratios. These buffers should prevent against further economic deterioration.

Loan losses, specifically the various provisions for loan losses, have, to date, been a shock for some investors to see. This shock has certainly been reflected in Scotiabank's stock price. The degree to which these losses or delinquencies are realized remains to be seen. I am of the belief that provisions for loan losses that have been put aside by most large banks are sufficient at this point in time.

This assumption relies on the idea that the Canadian and American federal governments will continue to do everything in their power to provide liquidity to households via direct aid. I understand that only so much can be done, so this is really my personal projection.

I will leave it up to the Foolish readers to make their own assessments.

Dividend unlikely to be cut

The stability and durability of the dividend distributions of Scotiabank (and all its peers) is undoubtedly top of mind for many investors in Canada's banks. The dividend these banks pay are viewed almost in the same way as bond coupons. These dividends are almost essential to any fund with an expectation of some income level over a long period of time. Any sort of dividend cut could seriously be detrimental.

Here's the good news: a dividend cut, at the time of writing, is not likely. These banks will undoubtedly do everything in their power to maintain a track record which, in many cases, spans more than a century without a dividend cut.

I recently reflected on the fact that nothing is impossible. Investors ought to be ready for all scenarios. Dividends for every company are not sacrament. This is especially true in times of extreme economic stress like today. That said, I would not lose sleep over this for a company like Scotiabank.

Bottom line

There is a lot to like about Scotiabank from a safety perspective and an income perspective. This company has been a favourite of mine for a while.

For investors looking for exposure to the Canadian banking sector, but with more diverse geographical diversification, I like the long-term growth potential of Scotiabank. The company has operations in South America and Latin America. I see this lender as s a great way to gain exposure to secular growth in underdeveloped regions at a value price.

Stay Foolish, my friends.

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