



1 Big Bank Stock Every Investor Needs

Description

In a pre-COVID-19 market, Bank of Nova Scotia was a stellar buy with plenty of long-term potential. So far in 2020, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) remains down by over a whopping 20%. By way of comparison, the overall market has clawed back from a similar decline and is now within 2% of breaking even. The same could be said of the other big bank stocks, which have staged varying levels of recovery. So, is Bank of Nova Scotia still a good investment?

The simple answer would be a resounding yes, but let's get into the why.

Not all of the big bank stocks are the same

Canada's big bank stocks share many things in common. They have a commanding control over the Canadian market. They also offer handsome dividends that come with annual or better hikes. And, perhaps most importantly, the big banks have an established precedent in weathering financial crises. This last point is particularly true when compared to larger banks in the U.S. market, which seem to exhibit some form of crisis nearly every decade.

Most of the banks are similar when it comes to expansion too, with a priority being an established presence in the lucrative U.S. market. The reason I say most of the banks is because this is one key difference with Bank of Nova Scotia. That differentiator is a key reason why investors may want to invest in or diversify their portfolio with Bank of Nova Scotia.

Instead of focusing on the U.S. market, Bank of Nova Scotia opted to invest heavily in Latin America. Specifically, this meant a presence in Mexico, Chile, Columbia, and Peru. Those four nations comprise a trade bloc known as the Pacific Alliance. The Alliance was formed to bolster trade and relations between its member states. The fact that Bank of Nova Scotia has a diversified branch network in each member state has proven advantageous.

To be clear, nearly all of the big bank stocks have an international presence outside Canada and the U.S., so Bank of Nova Scotia is not unique in this regard. What is unique is that Scotiabank is invested across the trade bloc and has earned a reputation as a familiar face to business across the region.

Let's talk results

Bank of Nova Scotia recently reported results for the third quarter. The results fully reflected the impact that the COVID-19 pandemic had on global markets. Net income during the quarter came in at \$1,304 million, or \$1.04 per diluted share. By way of comparison, during the same quarter last year, the bank reported \$1,984 million, or \$1.50 per diluted share.

Scotiabank's Canadian banking segment reported earnings of \$433 million in the quarter, reflecting a 53% decline over the same period last year. Turning to the international market, the segment saw a whopping 96% decline in net income.

In both cases, the impact of the ongoing pandemic, and higher provisions on credit losses were primarily attributed. In other words, investors should expect a [substantial increase](#) in earnings to come as markets begin to re-open.

What about income?

One of the hallmarks of investing in a big bank stock is a reliable and growing dividend. This is an area where Bank of Nova Scotia is well ahead of its peers. The bank currently boasts a quarterly dividend with an insane 6.34% yield, which represents one of the best yields on the market. In fact, the current yield represents a massive premium over Scotiabank's preceding five-year average, which was just shy of 4.5%. Coincidentally, the last time the yield was this high was during the last financial crisis: the Great Recession.

Worth noting is that Bank of Nova Scotia's high yield is a direct result of the stock's lagging performance during the pandemic. The bank's exposure to the hard-hit Latin American market muted the recovery we saw across the other big banks. While this does bring an element of risk to some investors, it is a temporary drop in the context of a longer-term investment strategy. If anything, investors should consider buying Bank of Nova Scotia while it still trades at a discount.

In my opinion, Bank of Nova Scotia is the big bank stock that should be part of any [well-diversified portfolio](#).

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/07/23

Date Created

2020/08/31

Author

dafxentiou

default watermark

default watermark