



1 Top Canadian Stock Even Banking Bears Will Love

Description

It's been a rough few years for investors by any standards. Even before the tire fire of 2020, the markets were awash with uncertainty. Many analysts were predicting a market correction, jittery about overvaluation, while nervously awaiting the end of an historic bull run. That correction finally came in March of last year — although the cause could hardly have been predicted back in 2019.

But one of the most challenging trends for investors to contend with has been the steady erosion of globalization. This macroeconomic phenomenon has been characterized by Brexit, plus an aggressively isolationist U.S. administration. Shareholders might not have been conscious of the causes. But from metal tariffs to manufacturing data, anybody watching relevant companies' earnings reports will have been aware of the effects.

Going long on international stocks

The mainstream play right now might be to focus on national economic recovery. This places a theoretical reversal of isolationism squarely into contrarian territory. Now, throw in the potential for banks to struggle in 2021, as the economic effects of the pandemic increase in severity. One name that emerges from this mix of contrarian theses is **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)).

One of the Big Five/Six banks, Scotiabank caters to the financial needs of customers in North America, Peru, Chile, Colombia, and the Caribbean. For investors making the decision to eschew a banking ETF, Scotiabank is therefore in a class of its own when it comes to [geographical diversification](#). An outperforming stock-picker's pick, Scotiabank's price to earnings of 12.7 is also lower than the Canadian banking average of 12.9.

Besides being below both sectoral and market weight in terms of value, Scotiabank could also outperform when it comes to earnings. Annual +11% earnings growth could be forthcoming, adding weight to an estimated 63% total shareholder return by mid-decade. Backed up with growth potential via markets across the Pacific Alliance, Scotiabank could be a smart pick for a portfolio light on financials.

A top stock for contrarians of many stripes

A reversal of nationalist policy dovetailed with an end to the pandemic could be the tide that raises all ships. However, strongly international names such as Scotiabank could be among the best rewarded. In particular, a recovery could see a sudden blooming of Pacific Alliance growth. Indeed, the bloc is already on track for a brighter future, having forged stronger ties mid-pandemic with the Association of Southeast Asian Nations (ASEAN).

This stock appeals on a number of other levels, too. Serving up a rich dividend yield of 5.22%, Scotiabank is a reliable passive-income play with a reassuring 66% payment coverage. The socially motivated investor will also note that Scotiabank is investing \$500 million in its ScotiaRISE program. The initiative, aimed at easing social disadvantages, may also serve to [further strengthen](#) its international relations.

In summary, Scotiabank is a key contrarian pick in the current socio-economic climate. It's strongly international at a time when isolationism is still a dominant force. Scotiabank is also fairly low on the general growth investor's priorities, being a bank and therefore vulnerable to economic uncertainties. A reversal of these trends could endow Scotiabank with unforeseen upside.

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