This TSX Bank Is a Superb Long-Term Stock Pick

Description

One of the most underrated long-term investment gems on the market is the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). While Scotiabank is neither the largest nor most well-known of Canada's big banks, it does have plenty of upside, making it a superb long-term stock option.

What makes Scotiabank a superb long-term stock pick?

Like all of Canada's big banks, Scotiabank runs a well-diversified and profitable operation. The bank has a sizable segment within the Canadian (domestic) market, and a growing international segment. That international segment provides Scotiabank with ample growth potential and sets it apart from its peers.

To all of the other big banks, expansion almost always means branching out to the U.S. market. That's a strategy that has worked out very well for Scotiabank's peers, but instead of following that lead, Scotiabank looked elsewhere.

Specifically, to the Latin American markets of Chile, Columbia, Peru, and Mexico. Those four nations compose the trade bloc known as the Pacific Alliance. The alliance is charged with bolstering trade and investment between its members and eliminating tariffs.

Bank of Nova Scotia's decision to invest heavily into establishing a branch network in those nations proved to be successful. As a result, the bank has become a well-recognized stable across the region. This bolstered earnings from the bank's international segment and continues to fuel years of additional growth potential. That's the textbook definition of a superb long-term stock.

By way of example, in the most recent quarter that ended on January 31, 2021, the international segment reported a net income of $427 million, surpassing the $333 million reported in the previous quarter ending in October of 2020. The improved results showcase the slow recovery from the coronavirus pandemic.

Word of that potential is growing

Following the market drop early last year, the big banks spent the rest of 2020 clawing back those early losses. For Bank of Nova Scotia, that recovery was much slower than anticipated. This presented an opportunity for long-term investors to purchase this superb long-term stock at a significant discount.

But why did Scotiabank's recovery lag its peers? As with everything else that happened in the market during 2020, the answer lies with the COVID-19 pandemic.

While businesses in Canada and the U.S. started to shut down near the end of last winter, closures in Latin America lagged behind a few months. By the time that those markets began to see a spike in COVID-19 cases and eventually closed, Canada and the U.S. were already beginning to re-open. This meant that by the time that Scotiabank's international segment reported a dip in earnings, other banks were reporting a recovery from their (U.S.-focused) international segments.

Fortunately, that recovery has finally kicked into gear. During the past six-month period, the Bank of Nova Scotia has surged over 42%, outperforming its peers.

Should you buy?

Scotiabank is a superb long-term stock. Apart from the growth potential noted above, the Bank of Nova Scotia also offers investors a handsome quarterly dividend. The yield on offer currently works out to an appetizing 4.54%, making it one of the better-paying options on the market. This makes the Bank of Nova Scotia an ideal income-producer as well as a great growth pick.

In my opinion, the Bank of Nova Scotia is a great investment that should be a core holding in nearly every 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. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/18
Date Created
2021/03/16
Author
dafxentiou