



Should You Buy Bank of Nova Scotia (TSX:BNS) Stock Now?

Description

Canadian bank stocks soared in the past few months on COVID-19 vaccine optimism and lower-than-expected lockdown losses. Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) stock to see if it is still a good buy for your portfolio today.

Bank of Nova Scotia earnings

Bank of Nova Scotia reported fiscal Q1 2021 results that beat expectations. Adjusted net income for the quarter came in at \$2.41 billion, up 3% on the same period last year. Canadian banking, wealth management and capital markets operations all performed well.

Bank of Nova Scotia had a CET1 ratio of 12.2% at the end of January. This measures the amount of capital the bank has available to cover potential losses. The normal requirement is around 9%, so Bank of Nova Scotia is sitting on significant excess cash it could deploy as the economy continues to recover.

International opportunities and risks

Bank of Nova Scotia invested heavily in its international business in recent years with a focus on Mexico, Peru, Colombia, and Chile. While the Pacific Alliance countries took a beating during the pandemic, they have attractive long-term growth prospects. Low banking penetration and the combined market of more than 230 million consumers across the four countries offers great opportunities for loan growth and investment sales as the middle class expands.

That said, near-term challenges remain. Chile is in the best position to recover. The country is ahead of its Latin American peers on vaccinations and the surge in copper prices in the past year bodes well for the economy.

Peru should also benefit from higher copper prices, but its political situation is shaky right now amid reports that hundreds of government officials [secretly received](#) COVID-19 vaccinations.

Mexico and Colombia are behind the curve on their COVID-19 vaccination rollouts. This will slow the return to economic growth. However, the surge in oil prices in recent months should assist their economies. Mexico is also going to receive a [loan of 2.5 million vaccines](#) from the United States. This should help Mexico start to catch up on its vaccination program.

Bank of Nova Scotia's international banking operations reported a 32% drop in adjusted net income for fiscal Q1 2021 compared to Q1 2020, so the situation remains challenging in the region.

Valuation and dividends

Bank of Nova Scotia trades near \$80 per share at the time of writing compared to \$55 just six months ago. The stock was [undervalued](#) in October, but not so today. At a price-to-earnings multiple of nearly 15 times trailing earnings, the stock appears fully valued. In fact, investors might be getting a bit ahead of themselves on hopes for post-pandemic growth.

Bank of Nova Scotia and its peers should get the green light to raise [dividends](#) again some time this year. The bank could boost the payout significantly and launch an aggressive share buyback program to deploy the excess capital. The current dividend provides a yield of 4.5%.

Acquisitions might not be a priority at this point. Bank of Nova Scotia went on a buying spree in the past few years to bulk up the Canadian wealth management business and increase market share in Chile.

Should you buy or sell Bank of Nova Scotia stock now

Existing shareholders should hang on to the stock for their buy-and-hold portfolios. You get paid well to ride out the next downturn and could still see some upside on the current momentum.

New investors might want to wait for a pullback to start a position in Bank of Nova Scotia stock. The shares enjoyed a great run in recent months and a better entry point should emerge. Other attractive opportunities exist in the market right now.

CATEGORY

1. Bank Stocks
2. 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. Investing

Date

2025/08/23

Date Created

2021/03/19

Author

aswalker

default watermark

default watermark