



## 1 Top TSX Bank Stock to Buy Today

### Description

The optimism surrounding COVID-19 vaccine rollouts has made bank stocks soar over the past few months. While I usually recommend non-financial stocks as there are better valuation opportunities, the current market scenario has made bank stocks an exciting pick.

Let's take a look at the **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), and see if it is still a [worthy addition](#) to your portfolio.

### Valuation, dividends, and earnings

There are a number of key factors that make Scotiabank an interesting pick right now.

Usually, banks borrow from the short-term market and lend in the long term market. Net interest margins, the difference between short- and long-term rates, are on the rise. That's positive for banks' earnings prospects.

Furthermore, analysts expect the pandemic-related provisions for credit losses to continue to be lifted. This will greatly impact lenders like Scotiabank, from a bottom line perspective.

Finally, buybacks and dividend increases are also expected on the horizon, once regulators approve these moves.

As of writing, the Bank of Nova Scotia is trading at the \$78 mark. Compared to six months ago, that's a pretty nice move. Indeed, Scotiabank's stock was trading around the \$55 level, which I pointed to as severely undervalued. Today, the story is completely different, as Scotiabank now appears to be fairly valued at P/E (TTM) multiple of 15 times.

I think 2021 is set up to be another good year for banks in terms of capital appreciation. Once dividends and buybacks are reinstated, investors will have another catalyst propelling these stocks forward. In this context, a yield of 4.6% isn't bad at all.

## International focus bullish for Scotiabank investors

Another reason I've liked Scotiabank is the company's international focus, relative to its peers.

Indeed, over the past few years, Scotiabank has heavily invested in acquisitions. These moves appear to have been done to diversify their operations, and catch up to other Canadian banking peers that were further ahead in this regard. However, I do think synergies resulting from these deals should materialize and prove fruitful for investors today.

Scotiabank's focus with many of its acquisitions has been on Pacific Alliance countries. The long-term growth potential that exists in these markets far outweighs the near-term risks the pandemic has provided these economies.

Indeed, I think Scotiabank's access to a combined market of more than 230 million consumers across Mexico, Chile, Peru, and Colombia is an exciting prospect for the Bank. Low banking penetration means better opportunities as the economic middle class develops.

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### TICKERS GLOBAL

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