



## 2 Top TSX Bank Stocks to Add for Diversification

### Description

In a turbulent economy, investors are looking for stocks with high dividend yields, and these are quite abundant in the TSX. However, there can be a discrepancy in quality among these stocks, and sorting them according to needs is essential.

Here are two of my top bank picks I think will help in avoiding value traps while simultaneously prioritizing diversification.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) has been one of my [top picks](#) for quite some time now — and rightfully so.

For one, it is performing the best among its Canadian counterparts. Investors who got in on my previous recommendations on this stock have beat the market. That's always good.

Indeed, the company's recent earnings highlighted just how strong Scotiabank is compared to its peers. First-quarter profit of \$1.86 per share comfortably beat expected analyst expectations of \$1.53 per share. These earnings were basically flat year over year but did represent quarter-over-quarter improvement of more than 26%. Scotiabank stock rose more than 6% on these better-than-expected earnings.

Additionally, Scotiabank is one of the most geographically diversified Canadian banks. Compared to its peers, Scotiabank is the option I suggest for investors looking for exposure outside Canada. The company's South American operations have grown substantially via acquisition. And Scotiabank is looking to increase its exposure in key global markets further over time.

With dividend stability and a nearly 18% increase in share price compared to last year, analysts are expecting a 19% jump to nearly \$95 more or less within 12 months. Given a 189-year track record of paying out dividends, Scotiabank remains an excellent long-term pick.

## Bank of Montreal

Moving down the list, the fourth-largest bank in the country makes my list of top picks. **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is similar in many respects to Scotiabank in terms of size, scale, and operations.

BMO has provided investors with a 12% CAGR over the past five decades. That's something to behold on its own.

However, we also need to consider the company's dividend track record. And on this front, Scotiabank scores top marks in my book. The company's dividend yield of 3.6% basically ensures BMO's historical long-term, double-digit returns aren't likely going anywhere. That's something long-term investors should like.

Bank of Montreal remains a niche play in the Canadian banking sector. However, I also think this stock is somewhat overlooked by investors. My take on this company is that it's a quiet, consistent double-digit return sort of play. That's good enough for me.

### CATEGORY

1. Bank Stocks
2. Investing

### POST TAG

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### TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BMO (Bank Of Montreal)
4. TSX:BNS (Bank Of Nova Scotia)

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