



Should You Buy Scotiabank Stock Ahead of Earnings?

Description

Earlier this month, I'd looked at some of the top bank stocks to target ahead of the [second-quarter earnings season](#). **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)) was one of the stocks I'd considered. Its shares have climbed 17% in 2021 as of early afternoon trading on May 14. The stock has surged 57% from the prior year.

How did Scotiabank perform in the first quarter?

The bank delivered its first-quarter 2011 results on February 23. It reported adjusted net income of \$2.41 billion or \$1.88 per share — up 3% from the prior year. Scotiabank enjoyed a strong quarter on the back of improved economic conditions domestically and around the world.

Adjusted net income in its Canadian Banking segment rose 1% to \$915 million. It benefited from lower provision for credit losses and non-interest expenses. Scotiabank is sometimes called “the international bank” due to its strong global footprint. It has significant interests in Latin America. This region was hit hard during the COVID-19 pandemic in 2020. Fortunately, it has enjoyed a rebound in recent months.

Coming into 2020, I'd [discussed](#) why its exposure to Latin America was one of its big positives. The first quarter showed that the region still has some catching up to do. Adjusted net income in Scotiabank's International Banking segment fell 35% from the prior year to \$398 million. Meanwhile, its Global Wealth Management segment increased 34% to \$425 million. Finally, Scotiabank reported adjusted net income growth of 20% in its Global Banking and Markets segment.

What can investors expect in Q2 2021?

Scotiabank is set to release its second-quarter 2021 results on June 1. The bank is well positioned to benefit from a recovering economy in Canada and in Latin America.

Last month, the Bank of Canada (BoC) said that it expected strong economic growth in the second half of 2021. Canada lagged its peers in the early months of the vaccine rollout. However, it has markedly

improved its rollout in the spring. Ontario, Canada's most populous province, has seen cases drop steadily as vaccinations increase.

The BoC said that improved economic growth should lead to rate hikes in 2022. Unfortunately, the country still has a hill to climb in the quarters ahead. Canada's economy lost 207,000 jobs in April. Statistics Canada said that 129,000 full-time jobs were lost, which is a worrying indicator. The economy will miss the uptick in seasonal workers if a summer reopening cannot be achieved in Ontario.

Scotiabank and its peers should still benefit from a booming housing market and improved savings rates for Canadians during the pandemic.

Should you buy Scotiabank today?

Shares of Scotiabank last had a favourable price-to-earnings ratio of 14. The bank stock offers a quarterly dividend of \$0.90 per share. This represents a solid 4.5% yield. Scotiabank and its peers have managed to recover from the sharp pullback in March 2020. Moreover, there are strong signs that Canada's top financial institutions will be able to carry this momentum throughout a recovery year.

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