Should You Buy Bank of Nova Scotia (TSX:BNS) Stock Before its Earnings?

Description

The biggest names in the Canadian banking sector are set to release their second-quarter earnings report in a few weeks. Most of the Big Six Canadian banks posted impressive first-quarter earnings figures, and it might be a good idea to consider looking at the banking sector ahead of the second-quarter earnings.

Today, I will discuss the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). Scotiabank stock could be an ideal addition to your portfolio considering its 18.19% year-to-date increase at writing, among other factors.

How did the bank perform in Q1 2021?

Scotiabank delivered its first-quarter results for fiscal 2021 on February 23, reporting $2.41 billion in adjusted net income, translating to $1.88 per share. Its adjusted net income was up 3% from the previous quarter. Scotiabank had an excellent quarter, as economic conditions improved in Canada and worldwide.

The adjusted net income in its domestic operations rose to 1% to reach $915 million. The bank benefitted from lower provisions for credit losses and non-interest expenses. The bank is often considered an international bank due to its geographically diversified operations. It has a significant presence in Latin American countries. The bank's operations in the region took a massive hit due to the economic fallout from the pandemic, but it has rebounded in recent months.

The Latin American market still has a lot of room to grow. Scotiabank's adjusted net income from its international banking segment declined 35% on a year-to-date basis, offering much room for it to grow, as conditions improve in the region.

What can investors expect from its second-quarter performance?

Bank of Nova Scotia will release its earnings results for Q2 2021 on June 1, and it looks well positioned to benefit from a recovering market in Canada and Latin America.

The Bank of Canada anticipates strong economic growth in the second half of the year. Canada was behind its peers in the vaccine rollout early on but has since improved its inoculation rates. As vaccinations have increased, Canada has started seeing a steady drop in COVID-19 infections.

The improved economic growth could lead to rate hikes next year, but the country has challenges to face in the coming quarters. The Canadian economy lost over 200,000 jobs in April, out of which 129,000 were full-time jobs. A lack of a summer reopening could mean that the economy could miss out on an uptick.

However, Scotiabank and other major financial institutions in the country can still benefit from a booming housing market and improved savings rates for Canadians amid the global health crisis.

Foolish takeaway

At writing, Scotiabank is trading for $80.04 per share on the TSX, and it boasts a favourable 15.03 price-to-earnings ratio. The bank pays its shareholders at a juicy 4.50% dividend yield. Like most of its peers in the banking sector, Scotiabank has successfully recovered from the March 2020 pullback.

Scotiabank has uninterruptedly increased its dividends to shareholders by a CAGR of 6% since 2009. All these factors could make it an excellent stock pick ahead of its earnings.

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Author
adamothman