



Top Pick for Summer 2021: Scotiabank Stock

Description

Indeed, there are many dividend stocks that offer bright long-term prospects. Such stocks can be found in abundance on the TSX. And historically, the Big Six Canadian banks have proven to be stellar performers during times of crises. These stocks have provided what long-term investors want most: stable growth and income.

Accordingly, one stock I've had on my radar over the past year has been **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)). Indeed, this stock has been a [top pick](#) of mine through the turmoil. Here's why I think there could be more runway with this stock than many think.

Analysts growing bullish on Scotiabank stock

Analysts are increasingly becoming more bullish on Canadian banks such as Scotiabank. And for good reason.

Barclays analyst John Aiken predicts that the Canadian economy is gearing up for a nice multi-year expansion. Indeed, this could bode well for high-quality financial service providers. He attributes a large portion of this improvement to rising vaccination numbers. Indeed, the Canadian vaccination rate has risen substantially in recent weeks. This trend is notable for those bullish on a brighter macroeconomic future in Canada.

For Canadian banks like Scotiabank, these macro trends are very important. Scotiabank, like its peers, is highly sensitive to movements in the Canada economy and interest rates. If the yield curve continues to steepen, and rising rates take hold, this could actually be very bullish for Scotiabank.

Accordingly, Mr. Aiken's upgrade and target price increase from \$82 to \$87 signals some decent upside for investor from here.

Some solid earnings right there

For any stock, looking at the numbers is a key step in assessing whether a company is worth investing in. For Scotiabank stock, the numbers look quite excellent.

In fact, the lender nearly doubled its net income year over year this past quarter, posting \$2.47 billion in earnings. This amounted to adjusted EPS of \$1.90, surpassing analyst projections of \$1.76 by a wide margin. Additionally, the company's common equity tier one ratio also surpassed expectations, coming in at 12.3%.

These numbers were supported by strong international earnings growth (143% year over year). Once again, Scotiabank's international operations appear to be driving value for investors. The company's Latin American and South American operations differentiate this bank from its peers. And it's one of the reasons I've continued to tout Scotiabank over larger Big Six players for some time. If this performance can continue, investors certainly have a lot to like with this stock as a long-term holding.

On the dividend front, Scotiabank has an impressive track record of dividend payouts. Currently, investors are blessed with a 4.5% dividend yield, as Scotiabank shares hover around the \$81 mark.

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