



1 Bank Stock vs. 1 Bank ETF: Which Should You Choose?

Description

Stock market investors who want to generate [market-beating returns](#) might find it challenging during volatile market conditions. However, making sound investment decisions after studying the trends impacting the market's performance to outpace the broader market's growth with your investments is possible.

2021 saw the financial and energy sectors put up a stellar performance, driving growth for the **S&P/TSX Composite Index**. With the anticipation of interest rates hikes coming in sometime this year, stocks in the financial sector will likely see another boost. It might be the right time to allocate more of your investment capital to investments in the industry to add the potential of market-beating returns to your portfolio.

The question is, should you take a narrow approach or diversify your capital through bank-focused [exchange-traded funds](#) (ETFs)?

Today, I will discuss one bank stock and one bank ETF to help you make a more well-informed investment decision.

Investing in the Big Six Canadian banks

BMO Equal Weight Bank Index ETF ([TSX:ZEB](#)) is a fund that provides you with investment returns by tracking the performance of the Solactive Equal Weight Canada Banks Index before fees and expenses. The fund invests in and holds the securities that comprise its benchmark index in the same proportion as they are reflected in the index.

Investing in BMO ZEB ETF means investing in the performance of an equal weighting in the Big Six Canadian banks. The fund allocates the same amount of its assets to each constituent security.

Investing in one of the Big Six

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is one of the Big Six banks in ZEB ETF's holdings. The \$113.30 billion market capitalization bank stock is the third-largest bank by deposits and market capitalization, and it boasts immense growth potential. Scotiabank's strong domestic operations pair with its expanding presence in the Pacific Alliance trade bloc countries.

Mexico, Peru, Chile, and Columbia have an alliance charged with increasing trade and eliminating tariffs. Scotiabank's strong presence in these countries has made it the preferred lender throughout the trade bloc, leading to a surge in earnings and the potential for at least a decade of more solid growth.

Foolish takeaway

The Bank of Canada has said that it might need to introduce [interest rate hikes](#) to contend with the inflationary environment. There has been no official announcement concerning when it will happen and by how much. However, we'll likely see it happen within this year, and that might come with a boost for the financial sector.

Deciding on whether to go for an individual bank stock or an ETF that tracks the performance of the top six might seem like a confusing decision.

At writing, Scotiabank stock trades for \$93.20 per share, and it is up by 31.79% in the last 12 months. It also boasts a juicy 4.29% dividend yield that the bank stock disburses every quarter. BMO ZEB ETF is up by 42.77% in the same period, and it boasts an annualized distribution yield of 3.41% that the fund manager pays out each month.

By the looks of things, ZEB ETF seems like the more appropriate investment to consider between the two to get market-beating returns on your investment.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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