New Investors: A Dividend-Growth Stock That's Beyond Cheap

Description

Canadian dividend-growth stocks are best-in-breed stocks, especially at a time like this, when the number of issues that could propel markets south are at a high point. Between the Fed's rate hikes to cool off inflation (near 8% in the United States and 6% in Canada) and the ongoing war in Ukraine, there's never been a more jittery time to be a new investor.

Momentum chasing got a nice bump over the last three weeks, even as rates continued their ascent. Indeed, had we had a more efficient Mr. Market, such speculative stocks would have been even lower today than their bottom in mid-March. Higher rates are simply not good for the types of companies that led markets higher in 2020 and 2021.

Growth selloff drags down some value names

The big question on the minds of the Cathie Wood crowd is whether or not this relief rally is sustainable or if it's a bull trap with further punishments ahead. The U.S. yield curve inversion and a more hawkish Federal Reserve seem like a toxic combination that could drag the expensive, high-multiple stocks much lower.

Indeed, a 2000-style bubble burst in some of the more speculative names still cannot be ruled out. With various plays already down over 80%, it may be too soon to go bottom fishing until the dust has had the chance to settle in what was one of the most brutal tech sector selloffs in recent memory. It's still not to the magnitude of the 2000 market crash, but it could be, especially if it drags on through 2023.

In 2023, a recession may strike, and if inflation isn't back down to more comfortable levels, we could have a stagflationary environment that could be unkind to beginner investors inclined to make moves based on their emotions.

Consider shares of **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

Bank of Nova Scotia: A dividend-growth stud that's dirt cheap

Bank of Nova Scotia, or Scotiabank, as it's commonly referred to, is Canada's most internationally focused bank. Its exposure to emerging markets (the Latin American region) is a source of great long-term growth. At the same time, higher growth from such emerging markets tends to accompany greater turbulence and risk.

Amid the COVID crisis, we witnessed firsthand the type of pain that internationally focused firms can experience when the going gets rough. Although international exposure may not be everybody's cup of tea, I think that investors should look to gain at least some such exposure in their portfolios. Scotiabank's incredible managers know how to manage the higher risks that can accompany being a player on the international scene, making BNS stock one of the best ways to geographically diversify your portfolio if you're a tad too exposed to Canada or the U.S.

Remember, prospective returns may be muted over the next decade. To score above-average returns, the international scene may be the way to go. In that regard, BNS stock seems like an intriguing value for those looking to do better than broader markets.

The bottom line on the dividend-growth stock

At 10.9 times trailing earnings, BNS stock seems like a magnificent bargain in the Big Six. With a recession on the horizon, though, investors had better prepare for turbulence. In any case, there's a 4.7% yield to collect while you sail through the rough seas.

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