



## 1 Cheap Stock for New TFSA Investors

### Description

The market pullback is giving new TFSA investors a chance to buy top TSX dividend-growth stocks at [undervalued](#) prices.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is often overlooked by investors who prefer to buy its larger Canadian peers, but the unique aspects of Bank of Nova Scotia's international business make the stock an interesting pick for a buy-and-hold portfolio.

Bank of Nova Scotia invested billions of dollars in the past decade to build a significant presence in Mexico, Peru, Chile, and Colombia. The four countries are members of the Pacific Alliance trade bloc that is home to a combined population of more than 230 million people. The trade agreements allow the free movement of capital, goods, and labour.

As companies expand across the markets they need a variety of cash-management services. Bank of Nova Scotia's presence in the four markets should give it an advantage as the economies grow. At the retail level, bank penetration is less than 50% in most areas. This offers significant growth opportunities, as the middle class expands, and people search for loans and investment products.

Bank of Nova Scotia trades near \$80.50 per share at the time of writing. The stock was as high as \$95 earlier this year, so investors can pick up a top Canadian bank stock on a nice dip and secure a dividend yield of nearly 5%.

Bank of Nova Scotia raised the dividend by 11% for fiscal 2022. Another generous increase should be on the way for next year.

The company still has excess capital to deploy after building up a large cash hoard during the pandemic. Bank of Nova Scotia recently increased the size of its share buyback plan by 50% to 36 million shares. The company also spent some of the cash to increase its ownership of ScotiabankChile to nearly 100%.

The bank made a series of large acquisitions shortly before the pandemic, so a mega deal might not be on the way in the near term.

Canadian bank stocks are falling due to investor concerns that soaring inflation and the aggressive measures the Bank of Canada and other central banks need to take to get it under control will cause a recession. Bank Nova Scotia, like its peers, has a substantial Canadian residential mortgage portfolio. If mortgage rates move too high and stay elevated for too long, there is a risk that house prices could crash.

If that happens, and the banks face a wave of unexpected loan defaults, the sector could take a serious hit, and share prices would fall accordingly.

That's not the likely outcome, but investors need to keep it in mind when evaluating Bank Nova Scotia for their portfolios.

## The bottom line

With the stock trading at just 10 times trailing 12-month earnings Bank of Nova Scotia looks cheap today. If you have some cash to put to work in a self-directed TFSA focused on dividends and total returns, this stock deserves to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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