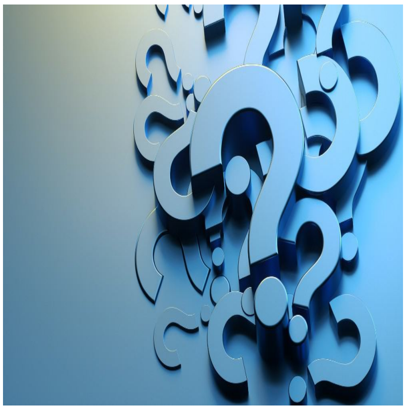

Dividend Hike Alert: Should You Buy Scotiabank (TSX:BNS) Stock Now?

Description

The banking sector has been a brilliant performer in the Canadian economy for centuries, and it comes as no surprise that **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) has put up another stellar quarterly performance.

Scotiabank announced a solid financial performance in its second quarter for fiscal 2022. Accordingly, the bank stock also announced its plans to introduce another dividend hike.

Let's take a closer look at the situation with Scotiabank to help you determine whether it could be a good buy at current levels.

A strong earnings report

Scotiabank stock trades for $85.04 per share at writing, representing a decline of 9.18% in its share prices since March 22, 2022. The bank managed to surprise analysts and investors alike by posting strong numbers in its latest earnings report.

Scotiabank earned an adjusted net income of $2.765 billion in the recent-most quarter, which is an improvement from its adjusted net income of $2.475 billion in the same period for fiscal 2021. The company's return on equity also soared from 14.9% in Q2 2021 to 16.4% in Q2 2022.

The bank's earnings were the star of its earnings report. Stronger activity in Canada's housing market led to more residential mortgage sales, allowing its earnings to grow by 27%. The bank's reduced provisions for credit losses, better fee income, and stronger commercial loan growth also contributed to its strong earnings growth.

Its performance in the domestic market has been good. However, its international banking activities are not far behind. Scotiabank's growing presence in the Pacific Alliance trade bloc countries of Chile, Mexico, Columbia, and Peru has finally started bearing fruit.

The improvement in oil and base metals prices has boosted the economy in these countries, translating to better performance for the bank in these countries.

Scotiabank ended the second quarter of fiscal 2022 with a strong capital position. Its aggressive share-buyback strategy from the previous quarter resulted in a lower CET1 ratio of 11.6%. The figure is understandable because Scotiabank also increased its stake in Scotiabank Chile.

The financial institution's capital markets division was the only segment that fell behind. Its year-over-year net income for the quarter was down by 6%.

Dividend hike

The bank's overall performance was strong in the quarter, allowing its management to announce a 3% increase in its shareholder dividends. The recent-most dividend hike comes in as a bonus after it already increased its payouts by 11% after the first quarter of fiscal 2022.

Foolish takeaway

Scotiabank stock appears to be an ideal asset to invest in right now. However, risk-averse investors might want to consider the housing market situation.

The interest rate hikes enacted by the Bank of Canada (BoC) will likely slow down mortgage growth by restricting borrowing power for consumers. The measure is necessary to cool down rising inflation, but it could have a negative short-term impact on the economy.

More volatility could trouble the banking sector in the coming months. If you are willing to buy and hold for the long run, the housing market situation might not make a difference for your investment returns at this level.

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Date
2025/09/09
Date Created
2022/06/03
Author
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