



## Should You Buy Bank of Nova Scotia (TSX:BNS) or TD Bank (TSX:TD) Stock Now?

### Description

The share prices of Canadian bank stocks are down considerably from the 2022 highs. Investors who missed the strong rallies off the pandemic lows are wondering if this is a good time to buy bank stocks for their portfolios.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) to see if one deserves to be on your buy list right now.

### Bank of Nova Scotia

Bank of Nova Scotia trades near \$82 per share at the time of writing and offers a 5% dividend yield. Management raised the payout by 11% late last year and just increased the dividend by another 3%. The 12-month high on the stock is \$95, so there is some meaningful upside potential on the next rebound.

Bank of Nova Scotia is using a good chunk of its excess cash to buy back stock. The company initially planned to repurchase 24 million shares under the current share-buyback program. This was increased by 50% to 36 million. One reason for the big jump would be that management feels the shares are [undervalued](#). Another reason might be the lack of good takeover opportunities.

Bank of Nova Scotia used some of its war chest of cash to increase its stake in Scotiabank Chile, but it hasn't announced a major deal. The bank spent billions during a flurry of acquisitions before the pandemic, so management might simply be comfortable with the scale of the business and focused on driving more efficiency and boosting profitability across the existing operations.

Bank of Nova Scotia's international business is bouncing back from the pandemic hit. Earnings in the division jumped from \$420 million in fiscal Q2 2021 to \$605 million in fiscal Q2 2022. The international business is primarily located in Mexico, Peru, Chile, and Colombia. These markets offer strong growth potential, as the middle class expands and demand increases for loans and investment products.

At the time of writing, Bank of Nova Scotia traded at 9.9 times trailing 12-month earnings.

## TD

TD is using its cash hoard to make a major acquisition in the United States. The purchase of **First Horizon** will bolster TD's existing American business in the southeastern part of the United States. TD already has a strong presence all down the east coast of the country from Maine to Florida. First Horizon adds more than 400 branches to the operations and will make TD a top-six bank in the U.S. market.

TD raised the dividend by 13% near the end of last year. It is the only member of the five largest Canadian banks that didn't give investors another raise when it reported fiscal Q2 2022 results. Once the First Horizon deal closes, investors should receive a generous dividend hike.

TD currently trades for \$91.50 per share compared to the 12-month high around \$109. Investors who buy the stock at the current price can pick up a 3.9% yield. The stock is trading near 11.4 times trailing 12-month earnings.

## Is Bank of Nova Scotia or TD Bank a buy?

Bank of Nova Scotia and TD both appear undervalued right now and should be solid picks for a buy-and-hold RRSP or TFSA portfolio. If you are searching for the highest yield and lowest multiple, Bank of Nova Scotia might be the better bet, although the stock typically trades at a discount to TD due to the perceived risks in the international business.

Investors who prefer to get significant exposure to the U.S. economy might want to make TD the first choice today. Although TD stock trades at a premium to BNS and offers a slightly lower yield, it is also considered to carry less overall risk.

Bank stocks could continue to pull back in the near term, but they are starting to appear oversold. If you want to buy now, I would probably split a new investment between Bank of Nova Scotia and TD today and look to add to the positions on any further weakness in the share prices.

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