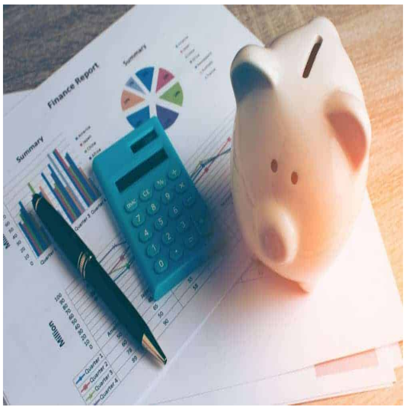

Scotiabank (TSX:BNS): A Stock to Buy and Hold Forever

Description

The Canadian stock market has been on a roller coaster in recent months, and its performance in the last few weeks has become an adrenaline-pumping drop — the kind that investors across the board would not like. The **S&P/TSX Composite Index** is down by almost 12% year to date and by 15.73% from its 52-week high.

Stocks across the board from several sectors of the Canadian economy are going through a downturn. Even the energy sector's bull run seems to have abruptly stopped. Canadian bank stocks are typically regarded as safe long-term investments for Canadian investors.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is one of the sector's top picks for Canadian investors. Scotiabank stock posted gains of 4.01% between January 4 and February 8, 2022. However, it has been going in the red ever since. Scotiabank stock trades for $75.61 per share at writing, reflecting a 16.77% year-to-date decline and a 20% decline from its 52-week high.

Despite underperforming the broader Canadian stock market, Scotiabank stock could warrant a place in your self-directed portfolio as an investment to buy and hold for the long term. Today, I will discuss why it could be a valuable addition to your portfolio, especially at current levels.

A strong recovery from COVID-19

The pandemic came along to cause major problems for publicly traded companies in every sector of the economy. The banking sector also faced plenty of challenges due to the COVID-19-related shutdowns hampering economic activities. Scotiabank was quick to maneuver itself and reposition its efforts to maintain operational resilience during the global health crisis.

The company's efforts were reflected in positive results for fiscal 2020, despite all the challenges it faced. The company's global wealth management and capital market segments boosted its performance. However, Scotiabank had to set aside higher provisions for loan losses, anticipating substantial delinquencies on mortgage loans due to the economic crunch of the pandemic.

The bank managed to improve its performance regardless of higher loan loss provisions. Its domestic and international banking operations played an important role in the bank's recovery, alongside reduced loan loss provisions.

The last few weeks

Scotiabank carried its positive momentum from 2021 into 2022, but rising inflationary conditions led to several interest rate hikes by the U.S. Federal Reserve and the Bank of Canada (BoC). The interest rate hikes are designed to cool down red-hot inflation but slow down economic growth. The recent-most U.S. Fed rate hike was the most aggressive increase since 1994.

The fears of a potential recession on the horizon due to such a drastic increase in benchmark interest rates led to a broad market selloff that did not spare any sector of the economy. The recession risks could be considered the biggest contributor to its decline in recent weeks.

Foolish takeaway

Trading for $75.61 per share at writing, Scotiabank stock boasts a juicy 5.45% dividend yield. The inflated dividend yield itself should make it an attractive investment on its own. However, it offers far more reasons for you to consider it as such. Scotiabank's internationally diversified operations and several business verticals give it strong growth potential in the coming decades.

Additionally, the higher interest rates might have a negative impact but benefit the banking sector greatly in the long run through higher margins. If you want to add investments to buy and hold for the next few decades, Scotiabank could warrant a place in your self-directed portfolio.

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