



Stock Market Rally: This Canadian Dividend Aristocrat Is Just Getting Started

Description

The second-half-of-2022 stock market rally has come fast and furious, reversing a great deal of the damage put in during the first half. In prior pieces, I've noted that after one of the worst first halves to a year in half a century that the second half was highly unlikely to match the magnitude of bearishness.

Undoubtedly, the biggest up days and market rallies tend to closely follow some of the ugliest market crashes, plunges, and bear markets. Now, it's been a slow and steady tumble into the abyss amid the 2022 bear market selloff. It may have caused many to give up on dip buying. For those willing to delay gratification, though, the stock market is now rewarding the patience of many who stuck by their long-term game plans, rather than buying into the overly pessimistic forecasts of the bears on Wall and Bay Street.

The bears are hibernating amid the market rally!

There were smart market strategists who kept lowering their price targets for the S&P 500. The habit of lowering the bar continued until the bar was reduced well below where the market bottomed in June. This is the danger of continuing to get more bearish after substantial damage has already been put in. You'll eventually miss market bottom, and you may have to buy shares back at much higher prices, running the risk of chasing momentum and fighting the Federal Reserve.

It's never a good idea to fight the Fed. And it's an even worse idea to have to do so because you bought into some bear's thesis on the way down. Those bears doubled down on their low price targets, and they seem to be going back into hibernation. Undoubtedly, the bulls are finally starting to get their moment to shine, while the bearish folks will go silent for a period of time before giving in and increasing their price targets.

As smart as market strategists are, nobody, not even Warren Buffett or his right-hand man Charlie Munger can time markets over the near term. Instead, it's smart to set your sights on a five- to 10-year timespan. At the end of the day, the bumps in the road (no matter how deep) will be a part of your journey to a prosperous retirement.

Bank of Nova Scotia: Banking on a rebound

After such an upward march in stocks, [value](#) isn't nearly as good as it was a month ago. Still, there are many names that remain a better deal than at the start of the year. And in this piece, we'll check out one name that I'd look to top up. Consider **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)). The big banks have taken big hits to the chin this year. Despite fading recession fears and the relief rally, shares of BNS are still off more than 15% from its high of around \$95 per share.

Now, the stock is up over 12% from its June lows but shares still trade at a mere 9.7 times price-to-earnings (P/E), which is well below industry averages. The dividend yield of 5.13% is also quite bountiful for long-term investors seeking the perfect mix of dividend growth and upfront yield.

For the latest quarter (Q2), there was little evidence of a severe recession. Loan growth was robust, powering a 15% surge in year-over-year earnings per share (\$2.18 versus the consensus of \$1.96). Net interest margins (NIMs) also rose modestly, thanks in part to recent rate hikes. Looking ahead, I'd look for such NIMs on deposits to increase further as the Bank of Canada continues to tackle the high (8%) rate of inflation.

With promising emerging markets exposure at a relative discount, I consider BNS stock to be a great way to play a continuation of the second-half bounce-back.

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