



Should You Buy Bank of Nova Scotia Stock Now?

Description

Bank of Nova Scotia ([TSX:BNS](#)) just reported earnings for the fiscal fourth quarter (Q4) of 2022 that dropped from the previous year, but full-year 2022 results topped 2021. The share price dipped on the news, and investors are wondering if this is a good time to buy BNS stock for their [retirement](#) portfolios.

Bank of Nova Scotia earnings

Adjusted net income for fiscal Q4 came in at \$2.615 billion compared to \$2.716 billion in Q3 2021. Adjusted earnings per share slipped to \$2.06 from \$2.10. Return on equity dropped to 15% from 15.6% but was still a solid level.

For fiscal year 2022, which ended October 31, adjusted net income was \$10.75 billion compared to \$10.17 billion last year, so Bank of Nova Scotia delivered strong results, even as economic headwinds have been building in recent quarters.

Canadian banking operations generated \$4.78 billion in adjusted earnings in 2022, up 15% from last year. A 14% jump in residential mortgages and a 21% increase in business banking loans led the way. Lower provisions for credit losses also helped. All three of these pillars could come under pressure in fiscal 2023, as rising interest rates are expected to cool the hot housing market and drive up loan defaults. An economic slowdown could also reduce business borrowing.

Bank of Nova Scotia's wealth management division generated \$1.565 billion in fiscal 2022 compared to \$1.574 billion in 2021. The results are solid, considering the challenging market conditions this year.

Bank of Nova Scotia's international banking operations are primarily focused in Mexico, Peru, Chile, and Colombia. The group took a big hit during the pandemic but bounced back in 2022. Net income for the fiscal year came in at \$2.67 billion compared to \$2.16 billion in fiscal 2021.

Dividends

Bank of Nova Scotia increased the dividend by 11% late last year and by another 3% when the bank reported fiscal Q2 2022 earnings. The Q4 results announcement didn't include another dividend hike, but investors should see the payout rise during fiscal 2023, even if the year turns out to be more challenging than 2022.

At the time of writing, the stock provides a 5.9% dividend yield.

Risks

Recession fears drove down [bank stocks](#) in recent months, as investors have become increasingly concerned that the Bank of Canada and the United States Federal Reserve will trigger a meaningful recession with their aggressive rate hikes as they try to get inflation under control.

If households completely hit the brakes on discretionary spending and layoffs surge, a deeper and longer economic downturn could arrive in 2023 or 2024. This would put the Canadian housing market under added strain and could drive up mortgage defaults. In that scenario, Bank of Nova Scotia and its peers could be in for a rough ride.

Is BNS stock a buy today?

Bank of Nova Scotia trades near \$69 per share at the time of writing compared to \$95 at the 2022 peak, so there is decent upside potential in the event the central banks are able to deliver a soft landing for the economy next year.

At just 8.3 times trailing 12-month earnings, the stock looks cheap, even with the economic headwinds, and you get paid a good dividend to wait for the recovery. Volatility should be expected, but buy-and-hold investors might want to start nibbling while BNS stock is out of favour.

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