



Has BNS Stock Hit the Bottom at Last?

Description

Shares of **Bank of Nova Scotia** ([TSX:BNS](#)) dived by nearly 26% last year to \$66.34 per share after delivering 30.2% positive returns in the previous year. Nonetheless, BNS stock has started 2023 largely on a positive note, as it has already recovered by 4.3% in January so far to \$69.22 per share, taking its [market cap](#) to \$82.5 billion. By comparison, the **TSX Composite Index** has gained 5.1% in value in 2023 after posting an 8.7% decline last year.

Before discussing whether BNS stock has finally bottomed, let's take a closer look at some key factors that affected its recent share price performance in 2022.

Why Scotiabank stock fell sharply in 2022

Macroeconomic concerns like high inflation, slowing global economic growth due to various factors, including geopolitical tensions, and the possibility of a looming recession triggered a [market-wide selloff](#) in 2022. While this selloff affected Canadian [growth stocks](#) the most, it also pressured many quality [dividend stocks](#), like Scotiabank and other [bank stocks](#).

In the fourth quarter of its fiscal year 2022 (ended in October), Scotiabank's total revenue [fell](#) by 0.8% to \$7.6 billion, missing analysts' expectations for the second quarter in a row. A YoY (year-over-year) decline in its capital market and global wealth management segments revenues was the key reason for a drop in its total revenue figures last quarter.

As a result of weak revenue, the bank's adjusted quarterly earnings also fell 1.9% YoY to \$2.06 per share, posting its first YoY drop after rising for seven consecutive quarters. So, clearly, its weaker-than-expected financial growth in the last quarter could also be blamed for pressuring BNS stock further in 2022, besides the broader market weakness.

Has BNS stock finally bottomed out in 2023?

It's important to note that the ongoing trend in Bank of Nova Scotia's core banking operations

continues to be strong, despite economic difficulties. In its fiscal year 2022, the bank's adjusted earnings from the Canadian banking segment rose 15% YoY to \$4.8 billion. Similarly, its international banking segment registered \$2.4 billion in adjusted earnings for the fiscal year, reflecting a solid 32% YoY growth.

Moreover, Scotiabank's capital markets and global wealth management segments' weak performance in the latest reported quarter was affected by broader economic challenges and market uncertainties. As these challenges are temporary, you can expect growth in these segments to come back on track in the coming years, if not earlier.

Given strong momentum in its core banking operations and expectations of a recovery in capital markets and wealth management segments, the recent sharp correction in BNS stock made this reliable stock look [undervalued](#). At the current market price of \$69.22 per share, the stock offers a very attractive 6% dividend yield and distributes its dividend payouts every quarter. In addition, Scotiabank also has a great track record of sustainable dividend growth.

While I wouldn't be surprised if the ongoing economic uncertainties keep BNS stock [volatile](#) in the near term, it certainly looks like an attractive buy for the long term right now, especially if you're looking for a safe dividend stock in Canada.

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Author

jparashar

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