



Why Scotiabank Is the Perfect Cheap Stock to Buy Today

Description

[Canada's big banks](#) are frequently noted as some of the best long-term options on the market. And in this [volatile market](#), in which many stocks are still crawling out of the red from 2022, there's a huge opportunity to grab the perfect cheap stock.

That stock is Canada's third largest lender, **Bank of Nova Scotia** ([TSX:BNS](#)), and here's a little on why this is *the* bank stock you need to buy today.

Scotiabank is a lot like its peers, and that's a good thing

There's a reason why the big banks are seen as such stellar investments. That comes down to the stable domestic banking sector they enjoy, coupled with the aggressive expansion we are seeing on an international scale.

This allows Scotiabank and its peers to establish a solid moat around the mature Canadian market where growth is slower. That's not to say the domestic sector doesn't boast any growth. In the most recent quarter, the Canadian banking segment reported adjusted earnings of \$1.8 billion, which was a 5% dip over the same period last year.

That dip was attributed to a higher provision for credit losses. Over the course of the full fiscal year, this segment reported income of \$4.8 billion, reflecting a \$608 million improvement over the same period last year.

In short, the bank continues to perform well, making it a perfect cheap stock for investors to consider.

Scotiabank is also very different from its peers in a good way

The one area where Scotiabank differs from its peers is in regard to *where* the bank has expanded. Rather than focusing on the U.S. market, Scotiabank turned further south to Latin America.

Specifically, the bank expanded heavily into the markets of Mexico, Columbia, Chile, and Peru. Those four nations are part of a trade bloc known as the Pacific Alliance. The alliance is tasked with improving trade between member states and eliminating tariffs.

Scotiabank's expansion throughout the region has made it one of the three largest lenders in Peru and Chile, while taking the top fifth and sixth spots in Mexico and Columbia, respectively.

What this means is that in a region where trade is increasing, Scotiabank has emerged as a familiar face. That growth is evident in Scotiabank's quarterly report.

In the most recent quarter, Scotiabank's international banking segment posted adjusted earnings of \$686 million. That represents a \$3 million increase over the same period last year. Looking out over the entire fiscal, the international segment saw a whopping 32% increase over the same period last year.

And that's just part of the reason why Scotiabank is the perfect cheap stock to buy right now.

Why not earn some income, too?

Like its peers, Scotiabank offers a quarterly [dividend](#). As of the time of writing, the yield on that dividend is an appetizing 5.68%. This makes it the highest-yielding bank among its peers, and one of the best options for buy-and-forget investors.

Part of the reason for that swelling dividend is that Scotiabank stock has dropped over 25% over the trailing 12-month period. Scotiabank's peers have also dropped, but not as much.

Still, that dividend is very attractive, as is the current 9.13 P/E on the stock. To put those earnings into context, a \$40,000 investment in Scotiabank will earn a first-year income of over \$2,270. Keep in mind that income can quickly grow with dividend reinvestments over the years.

Scotiabank: The perfect cheap stock for your portfolio

No stock is without some risk. That includes Scotiabank, which as noted above still trades at a significant discount. Rather than the volatile market, prospective investors should look at the long-term potential, as well as the juicy dividend that Scotiabank can offer.

That's a key factor that investors should remember – Scotiabank is a long-term play to hold. Buy it now at a discount, as part of a larger well-diversified portfolio, and let it grow for a decade or more.

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