



BNS Stock: A Smart Investment Today?

Description

Bank of Nova Scotia ([TSX:BNS](#)) is outperforming the broader market in 2023. BNS stock currently trades with 11% year-to-date gains at \$73.46 per share, taking its [market capitalization](#) to \$87.7 billion. By comparison, the **TSX Composite Index** has climbed 6.9% on a year-to-date basis.

Before I discuss whether BNS stock is a smart investment to consider today, let's take a closer look at some key [fundamental](#) factors that have driven it lately.

BNS stock: Recent price movement

This year's rally in Scotiabank's share prices comes as a big relief for investors after it plunged by 25.9% in 2022. Macroeconomic concerns due to high inflationary pressures, rapidly rising interest rates, and growing geopolitical tensions led to a market-wide selloff last year. While the [bank sector](#) usually benefits from a higher interest rate environment, these macroeconomic concerns still spooked bank investors as they feared that these issues might lead to a recession. That's one of the reasons why BNS stock dived last year.

Besides that, a recent decline in Scotiabank's financial growth trends could be another reason for driving its share prices lower in 2022. For example, the Canadian bank's revenue in the first half of its fiscal year 2022 (ended in October) rose 1.6% YoY (year over-year) but fell 0.1% YoY in the second half. Similarly, it registered a solid 9.5% YoY growth in its adjusted earnings in the first half, which slowed to just 1.2% YoY in the second half of the year.

But is Scotiabank a smart buy today?

To understand whether or not BNS stock is a buy today, we must closely analyze what hurt its stock price movement last year.

In recent months, we have seen signs of cooling inflation in Canada and the United States, raising the possibility of less aggressive interest rate hikes in the near term. That's why the broader market has

seen a sharp recovery in 2023 so far, also helping Scotiabank shares recover.

The key reason behind the Scotiabank's weak financial growth in the second half of its fiscal year 2022 was the poor [performance](#) of its global wealth management and capital markets segments due to challenging economic and market conditions. While the possibility of a looming recession is not completely over, the economic condition is still much better this year so far than earlier projected by many experts.

Going forward, Scotiabank's prudent risk management, consistent asset growth, and increasing investments in new technology should help it accelerate its financial growth further. These factors could also be among the reasons helping BNS stock start the new year on a strong note and may keep its sharp recovery going in the coming months.

Notably, BNS stock also offers an attractive dividend yield of around 5.6% at the moment and distributes its dividend payouts every quarter. It has a strong financial position to sustain through a tough economic environment, which should also ensure that it keeps rewarding its loyal investors with attractive dividends. In my opinion, these factors make Scotiabank look even more attractive to buy today to hold for decades to come.

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