



## Sunlife and Manulife Shareholders Feel the Pressure of Declining Bond Yields

### Description

Two hard hit Financials in today's car wreck of a Canadian market were **Sunlife** (TSX:SLF,NYSE:SLF) and **Manulife** (TSX:MFC,NYSE:MFC), down 2.6% and 3.2% respectively.

In a live by the sword die by the sword type relationship, both stocks have demonstrated a tight correlation with the 10-year U.S. Treasury yield in recent times. This relationship is based on the influence that bond yields have on pricing the extensive long life liabilities embedded within each firm.

Since the 10-year Treasury yield put in a short-term low of 1.40% last July it has backed up considerably, hitting a peak of 2.06% in March. This has coincided with a broad-based rally in equities and a general calm in the global economy.

Over this period of rising bond yields, Sunlife and Manulife shares did very well, rising by approximately 45% each. However, since the middle of March, the 10-year yield has steadily moved lower as uncertainty has crept back into the market's psyche. It currently sits at 1.81% according to Bloomberg.

Sunlife and Manulife shares have followed the yield down, declining by about 9% and 7% respectively from the highs established earlier in the year.

### Foolish Takeaway

Both Sunlife and Manulife are nicely positioned for the long-term with their extensive offering of financial services and growing geographic exposure. However, the low-interest rate environment has wreaked havoc with the performance of both stocks in recent years. If and when rates normalize, long-term shareholders of both companies are likely to be nicely rewarded for being patient through this trying period.

The S&P/TSX Composite Index is loaded with financial and resource stocks. Because of this, investors that rely on Canadian Index funds or ETFs are severely lacking diversification in their portfolio, opening them to undue risks. **"Buy These 5 Companies Instead of Following a Flawed Piece of Advice"** is our special FREE report that outlines an easy to implement strategy and 5

Canadian stocks that reduce the risks involved with passively investing in the Canadian market. [Click here now](#) to receive the report – FREE!

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*Fool contributor Iain Butler owns shares and is short April 2013 \$28 call options on Sunlife Financial. The Motley Fool has no positions in the stocks mentioned above.*

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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