2 Undervalued Stocks to Buy Today: Manulife Financial Corp. and The Bank of Nova Scotia

Description

If you're building your first portfolio or just looking to spruce it up, each of these names should be on your radar screen.

Both offer financial services, in Canada and in international markets. Both have very promising growth prospects. At the same time, they trade at a discount, each for its own reasons.

So without further ado, below are two Canadian stocks you should buy today.

1. Manulife Financial Corp.

To understand the position that **Manulife Financial Corp.** (TSX: MFC)(NYSE: MFC) is in, one has to look back to the financial crisis. At that time, Manulife suffered more than any other Canadian financial services company. It even struggled to raise enough capital. And even once the crisis ended, low interest rates made a recovery painfully slow.

Fast-forward to today, and Manulife is determined not to relive that experience. For that reason, it has kept its dividend very low, preferring to build up capital. As a result, its capital ratio is the best among its large peers. And its trailing dividend yield is only 2.5% despite a recent increase in the payout.

So it shouldn't be surprising that Manulife is a fairly unpopular stock. Investors don't want to relive the financial crisis either, and the company's low dividend yield makes the stock even more unwanted. For those reasons, the stock trades at 10.2 times earnings, a significant discount to peers.

But at the same time, Manulife is firing on all cylinders, and has a significant presence in Asia, allowing the company to grow earnings for many years to come. And that should lead to more dividend increases.

2. The Bank of Nova Scotia

The Bank of Nova Scotia (TSX: BNS)(NYSE: BNS) also has a large international business, accounting for roughly half of net income. Unlike Manulife, The Bank of Nova Scotia is concentrated more in Latin America, placing special emphasis on Mexico, Colombia, Peru, and Chile. These are all wonderful countries to be in. They have strong, healthy economies and underbanked populations, which allows The Bank of Nova Scotia to grow its business for many years to come.

The Bank of Nova Scotia has another similarity with Manulife: It trades at a discount to its peers, at only 11.8 times earnings. This is actually a lower multiple than each of the other Big 5 banks in Canada. Why is this the case?

Well, 2014 has been a fairly weak year for emerging stocks, and The Bank of Nova Scotia has gotten caught up in the mix. In fact, its stock has performed the worst among the Big 5 banks this year — its shares are up by barely 4%, while the other four are all up by at least 10%. But the bank is still performing as well as ever. And if the shares have been unpopular with some investors, that provides the rest of us with an opportunity.

For more information on the Canadian banks, the free report below breaks down the pros and cons of each of the Big 5. You'll want to read it before buying any of the banks.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:MFC (Manulife Financial Corporation)

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bensinclair