Take Advantage of the Stock Market Sell-Off With These 3 Bargains

Description

Over the past three months, the **S&P/TSX Composite** index has not been kind to investors, falling roughly 6% over this time despite a recent rebound. Concerns about the global economy, as well as falling commodity prices, have been the main causes.

But this does bring good news. Now that stock prices have fallen, companies are cheaper, and if you are selective, then bargains can be found. Below, we take a look at three examples.

1. The financial services

The bank shares haven't been able to escape this correction — on average, they have fallen by 3% over the past three months. But this hardly takes them into bargain territory.

Instead, you should go with a company like **Manulife Financial Corp.** (TSX: MFC)(NYSE: MFC), Canada's largest life insurer. The company's shares have fallen by nearly 9% in the past three months.

In some ways, this drop was understandable. There are serious concerns about the world economy, especially emerging markets like Asia, where Manulife is very strong. However, Manulife was trading fairly cheaply even before the correction. As a result, the company now trades at a miniscule 9.5 times earnings. Better yet, the company's exposure to Asia means it has plenty of room to grow its bottom line. This is too good an opportunity to pass up.

2. The miners

Mining is, of course, a very cyclical sector, so when there's a stock market correction, miners' shares can get pummeled. This time was no different. As a result, some miners are trading at absolute bargains.

The best example is copper miner **First Quantum Minerals Ltd.** (TSX: FM). The company's shares are down by 25% over the past three months, not atypical for a miner. But it doesn't do justice to a company with such a strong track record. To illustrate, First Quantum shares have returned 34% per year over the last 15 years. Over a time period that long, you can't chalk it up to luck. Rather, it just shows how strong the company has been run.

That being said, there are other mining stocks that have fallen more than First Quantum's. But they are not as well run or have run into company-specific issues or both. And when investing in mining shares, it's especially important to choose the top-quality company.

3. The energy producers

If you're really looking for bargains, then Canada's energy patch is the place to start. This sector has been hit particularly hard by falling oil prices, but prices could easily rebound if OPEC members make cuts or if the world economy holds strong. And there's an argument that the U.S. shale oil boom will not last — many of these companies do not earn adequate returns, and have been building up massive debt loads.

So what's the right bet to make? One good option is **Canadian Natural Resources Ltd.** (TSX: CNQ)(NYSE: CNQ), whose shares are down by 25% over the past three months. CNRL, like First Quantum, has a fantastic track record. The company has also proven it can take advantage of down cycles by grabbing cheap assets. In the long run, the odds are in your favour with this name.

There are other stocks worth considering for your portfolio as well. Five of them are highlighted in our free report below.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:FM (First Quantum Minerals Ltd.)
5. TSX:MFC (Manulife Financial Corporation)

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