Now That Oil Has Stabilized, These 3 Stocks Look Very Cheap

Description

Predicting where oil prices will go is never an easy thing. That said, there are two things we can be reasonably sure of:

One, we are unlikely to see a full recovery any time soon. Supply has simply increased too much, and is easily able to keep up with demand. Costs have come down significantly, allowing producers to profit even when oil prices are this low. And no one seems intent on cutting production, especially after the recent price rebound.

Two, we are unlikely to see oil plunge below $40. When we saw the price near that level, many producers shut off the taps, helping prices to rebound.

So, with that in mind, is now the time to buy energy companies? Well, not really. Those stocks tend to be very expensive, but three other stocks now look like bargains. Below we take a look.

1. CIBC

When oil prices really started to plunge in late November, so did the stock price of **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), Canada's fifth largest bank. To illustrate, its share price peaked at about $107 in early December, then fell below $90 in late January. Even today at less than $95 (as of this writing), its share price remains well below the level seen in November.

This is somewhat understandable. CIBC is the most Canadian-focused of the Big Five banks, making it more vulnerable to any problems with our economy. And Canada's economy is struggling, having shed 20,000 jobs last month alone.

That said, with oil prices stabilizing, our economy should be able to pull through. And that makes CIBC look very cheap. The bank trades at only 10.5 times adjusted earnings, a very small amount for a company that's still growing its bottom line.

2. Canadian Western Bank

When oil prices fell **Canadian Western Bank** (TSX:CWB) shares fell even more than CIBC's—from about $37 in late November to $25 in late January. And the shares still remain below $30.

It's understandable why people are scared. CWB is concentrated in western Canada, as its name implies. Furthermore, the bank has a much greater energy exposure than its larger rivals do, as one would expect. Yet CWB also has a wonderful track record and survived the economic crisis of 2008-09 very nicely, even though oil prices fell well below US$40 at one point.

At this point, CWB appears very cheap, trading at only 10.7 times earnings. This is a tiny number for a company with such a strong track record.

3. Manulife

The oil plunge hasn't been kind to **Manulife Financial Corporation** (TSX:MFC)(NYSE:MFC), nor its shareholders. In just the fourth quarter of 2014 the insurer's energy-related investments had to be written down, causing profit to drop by about 50% year over year.

Yet those losses seem to have overshadowed Manulife's successes, and the stock trades at only 1.3 times book value as a result. For a company with fantastic growth opportunities, especially in Asia, this is a very cheap price.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:CWB (Canadian Western Bank)
5. TSX:MFC (Manulife Financial Corporation)

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