



## Why Manulife Financial Corp. Is Heading Higher

### Description

There's no question that bonds are underperforming right now. They're overvalued and they're most likely going to underperform in 2017. Investors who are overexposed to bonds should really rebalance their portfolios and hold stocks of great companies with strong dividends.

One stock that has strong tailwinds in 2017 is **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)). The stock has been off to a tough start over the last year, but it has since found its legs and has some positive momentum heading into 2017.

Next month the U.S. Federal Reserve is likely to raise rates, considering how well the U.S. economy has been doing and how positively the market reacted to Trump's election victory. Hiked rates will be fantastic for financials and life insurance companies in particular. I believe Manulife is still undervalued and still out of favour. Now is the time to be greedy, because if you're a long-term investor, Manulife may be one of your best picks over the next five years as interest rates slowly creep higher.

Manulife is also a terrific play due to its impressive Asian exposure. Investor pessimism over China's slowed growth this year has been a huge headwind for stocks with exposure to Asia. I believe that the fear over Asia has created a huge opportunity for contrarian investors to jump into a terrific stock that's priced at a huge discount to intrinsic value.

In Manulife's Q3 2016 earnings report, we saw very impressive Asian growth of 16.6% compared with Q3 2015. Asia is a terrific growth opportunity, and the proof is finally in the pudding.

The company also saw its strong U.S. operations report a whopping \$297 million increase in Q3 from its investments. Manulife absolutely crushed analyst expectations by delivering \$0.49 earnings per share compared to the average estimate of \$0.44.

I believe that the impressive quarter could be the start of a sustained rally to higher levels and a turning point in the fortune of the stock. If you're an income or contrarian investor with a five-year time horizon or longer, then you will do very well for yourself by picking up shares of Manulife right now.

Manulife currently pays a very bountiful dividend yield of 3.22%, and you can count on dividend

increases over the next few years, as interest rates slowly rise and give Manulife a nice boost to its bottom line.

The stock is definitely cheap right now with a 15.2 price-to-earnings multiple and a 10.7 forward price-to-earnings multiple. The price-to-book, price-to-sales, and price-to-cash flow ratios are all cheaper than its five-year historical average values of 1.2, 1.0, and 3.7, respectively.

The stock is cheap based on almost every traditional valuation metric, and I believe it won't be this cheap for long, as the stock starts reaping the rewards of increased interest rates.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

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1. Investing

## Date

2025/09/12

## Date Created

2016/11/23

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