3 Financials Stocks to Watch in 2018

Description

Record Canadian household debt has some experts and analysts concerned, even as the S&P/TSX Index hovers around all-time highs. I recently discussed the possibility that external geopolitical events could also put downward pressure on the stock market and push investors into gold.

On November 24, Statistics Canada released a report that showed operating profits in the financial industries rose 20% in the third quarter of 2017 to $34.9 billion. Anxiety will remain as policy makers battle consumer debt, but there are still good reasons to buy into financials heading into 2018. Let's look at three companies that will look to build on momentum in 2018.

IGM Financial Inc. (TSX:IGM) is a Winnipeg-based financial services company. IGM Financial stock has climbed 16.4% in 2017 as of close on December 4. The company released its third-quarter results on November 2.

IGM Financial reported net income of $173.4 million, or $0.72 per share, compared to $197.6 million, or $0.82 per share, in Q3 2016. The company posted a record high in assets under management of $150 billion, which represented a 5.1% increase year over year. IGM Financial also reported record investment fund net sales of $779 million compared to redemptions of $205 million in Q3 2016.

The company reported record high mutual fund sales of $2.1 billion — a 28.5% increase from the prior year. This comes as very positive news, as some projected a shaky year for the mutual fund industry after the federal government introduced new disclosure requirements that debuted in the middle of 2016.

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC) is a Toronto-based insurance and financial services company. Shares of Manulife have increased 19.3% in 2017. Operating profits for insurance carriers and related activities jumped 196.8% to $6.7 billion in Q3 2017. However, property and casualty insurance carriers operating profits dipped 15.3%. Manulife released its third-quarter results on November 8.

Net income was mostly flat at $1.1 billion compared to Q3 2016. Manulife posted an 11% increase in insurance sales for the quarter — totaling $1.1 billion. The company continued to see strong growth in

Asia as wealth sales climbed 8% from Q3 2016 compared to an 8% dip in Canada.

The stock also offers a 3% dividend yield. Manulife stands to benefit from its foray into Asia as the continent continues to see huge growth in its middle-class population.

Gluskin Sheff + Associates Inc. (TSX:GS) is a Toronto-based independent wealth management firm. The stock has declined 9.6% in 2017. Gluskin Sheff + Associates released its fourth-quarter results on September 19.

Assets under management remained mostly static from the third quarter to the fourth at $8.9 billion. However, assets under management increased by $588 million year over year due to impressive investment performance in 2017. Base management fees also climbed to $27.1 million from $25.9 million in Q4 2016.

The stock still offers a 6% dividend yield, which should be attractive to income investors.

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Date
2025/09/11
Date Created
2017/12/05
Author
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