2 Top Value Stocks to Buy for 2018

Description

In this growth-mindset market, where stocks are trading at rich multiples, and investors are gladly paying up for future growth, it is easy to forget about the value mindset — paying cheap multiples for stocks that are out of favour or that have had a setback that will prove to be temporary, but that represent good, solid businesses in the long run.

As value investor Benjamin Graham said, "The intelligent investor is a realist who sells to optimists and buys from pessimists."

So, with this backdrop, I would like to share with you my two top value stocks to buy in 2018.

Industrial Alliance Insur. & Fin. Ser. (TSX:IAG)

Life and health insurance companies stand to benefit from a rising interest rate environment, as rising interest rates mean that the cash flows generated by the company's assets will be invested at higher yields, falling to the bottom line.

With a primary focus on the Canadian market, Industrial Alliance stands to gain the most of its peer group from rising interest rates. The company has disclosed that a 10-basis-point increase in interest rates will impact net income by $15 million.

And given the fact that the company has increased its dividend by 55% since 2013, it is clear that the company's management has high expectations.

While the Industrial Alliance is pretty much a domestic operator, which has a slower growth profile than some of the international locations, such as Asia, the insurance business grew 15% in the quarter, and the recent acquisition of HollisWealth should help drive growth going forward.

In my view, the stock trades at a multiple that reflects this. With a P/E multiple of 12 compared to the peer group, which trades at multiples of +14 times. Going forward, this multiple differential will probably lessen.

Industrial Alliance currently has a dividend yield of 2.51%.

OceanaGold Corporation (TSX:OGC)

OceanaGold is an attractive value play in the gold space, and investors should buy the stock for its valuation and improving production and cost profiles.

In 2017, the company reported a 38% increase in gold production and an 8.6% reduction in all-in sustaining costs.

The issue with the company is the fact that there is heightened geopolitical risk in the Philippines, which is where OceanaGold's Didipio mine is located.

But with the ramping up of the Haile mine, which is located in the U.S, this risk is being increasingly mitigated. The Didipio mine currently represents 23% of total gold production compared to representing 42% earlier this year.

Record production, declining costs, and a strong balance sheet are what characterizes this company, and with rising gold prices, this stock is setting up for a strong 2018.

These are but two of the top stocks that investors should consider for 2018, but there's more where that came from.

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1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Metals and Mining Stocks

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2. TSX:OGC (OceanaGold Corporation)

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