



2 Foolish Stocks I'd Buy in This Sea of Red

Description

The markets have turned red over the past couple of weeks with the TSX down approximately 6% year to date. This is a great opportunity for savvy investors to take advantage and buy the dip. Below are two financial stocks that are great buys today.

Best value among the Big Five banks

Heading into this downturn, **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) performed in line with its banking peers. However, CIBC's share price has been the hardest hit by the recent sell-off, losing 4.79% of its value, and is now trading at very cheap valuations. For instance, the company is trading at a price to earnings (P/E) of 10.37, which is below its historical average and significantly below the industry average of 14.2.

As a result of the company's lagging share price, it provides a juicy 4.45% yield, which is tops among the Big Five banks. Factor in CIBC's dividend-payout ratio of 46.24%, among the lowest of its peer group, and the company is well positioned to raise dividends well into the future. If you factor in its three-year dividend-growth rate average of 8.6%, also tops among its peers, an investment in CIBC today is all but guaranteed to provide more income than the same investment in any of the other big banks.

The company has recently announced a significant expansion into the U.S. market with its acquisition of PrivateBancorp Inc. The acquisition is important because it provides a level of diversification that the company did not have previously, making it less reliant on the Canadian market.

Insurance play offering a 5% yield

Another company that is now too cheap to ignore is **Power Financial Corp.** (TSX:PWF). The company typically trades in line with its historical P/E ratio of 13.2, but it has recently decoupled from this trend and is now trading at P/E of 11.2. Likewise, its price-to-book ratio of 1.3 and price-to-sales ratio of 0.5 are both below its five-year and industry averages.

Outside of rising interest rates, which are a boon to all financials, there is another potential growth

driver at play for Power Financial. Here is a little-known fact: Power Financial is one of the primary backers of Wealthsimple, Canada's largest robo-advisor.

The robo-advisor market has been growing exponentially and is expected to capture 10% of the total investable wealth by 2025. Wealthsimple has a first-mover advantage in Canada and has recently expanded into the U.S. market. Prior to its U.S. expansion, the company announced it had 30,000 clients with over \$1 billion in assets under management. These are impressive numbers for a company that launched only three years ago.

With a 5% yield, a rising dividend, and its investment in a high-growth market, Power Financial deserves a spot in your portfolio.

CATEGORY

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

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