



## 3 Financial Stocks to Watch in a Shaky Stock Market

### Description

On February 21, U.S. Federal Reserve officials signaled that the U.S. economy was ready for higher interest rates. The announcement comes after a January 30-31 meeting in which Fed officials opted to hold the benchmark interest rate. In the aftermath, U.S. indices dropped sharply in late afternoon trading.

The Bank of Canada elected to [raise the benchmark interest rate](#) on January 17 to 1.25%. The S&P/TSX has dropped 4.2% in 2018 as of close on February 21. Rising bond yields have battered utilities, telecom, and real estate stocks in Canada.

With central banks reaffirming the commitment to raising interest rates in 2018, stock markets could continue to [experience significant turbulence](#) going forward. Let's look at three companies that could be battered by a precipitous market decline.

#### **CI Financial Corp. ([TSX:CIX](#))**

CI Financial is a wealth management company that provides a wide variety of financial services and products. Shares of CI Financial have dropped 3.5% in 2018 as of close on February 21. The company released its 2017 fourth-quarter and full-year results on February 15.

In 2017, CI Financial acquired Sentry Investments and BBS Securities. Assets under management climbed 21% to \$143 billion the year ending on December 31, 2017. Average assets under management also grew 14% to \$126.2 billion from \$110.8 billion in the prior year. Adjusted net income rose 9% in 2017 to \$579.2 million, and adjusted earnings per share increased 12% to \$2.19.

CI Financial declared a monthly cash dividend of \$0.12 per share, representing a 4.9% dividend yield.

#### **Power Corporation of Canada ([TSX:POW](#))**

Power Corporation is a Montreal-based holding company with interests in communications, financial services, and other sectors. Power Corporation stock has declined 5.9% in 2018 thus far. The company is set to release its 2017 fourth-quarter and full-year results in late March.

In the third quarter, Power Corporation posted net earnings of \$470 million, or \$1.02 per share, compared to \$303 million, or \$0.65 per share, in Q3 2016. For the full year, net earnings have climbed to \$1.07 billion in comparison to \$623 million in the first nine months of 2016. The board of directors declared a quarterly dividend of \$0.36 per share, representing a 4.7% dividend yield.

#### **Gluskin Sheff + Associates Inc. (TSX:GS)**

Gluskin Sheff + Associates is a Toronto-based company that provides investment management services to high-net-worth clients and institutional investors. Gluskin Sheff + Associates stock has dropped 8.7% in 2018 thus far. The company released its fiscal 2018 second-quarter results on February 8.

Assets under management grew to \$8.97 billion compared to \$8.73 billion in fiscal Q2 2017. Base EBITDA rose to \$11.8 million from \$10.8 million in the prior year. The company also raised its quarterly dividend to \$0.25 per share, representing a 6.5% dividend yield.

Interestingly, chief economist at Gluskin Sheff + Associates David Rosenberg predicted turbulence in a *Globe and Mail* piece in early January. Rosenberg said that the rollback of “central bank accommodation” could lead to a significant drop in asset prices. We are witnessing the start of the unwinding of the loose monetary policy since the financial crisis, and investors should beware of how a wobbly market will impact companies with a vested interest in financial services.

#### **CATEGORY**

1. Investing

#### **TICKERS GLOBAL**

1. TSX:CIX (CI Financial)
2. TSX:POW (Power Corporation of Canada)

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#### **Category**

1. Investing

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