3 Financial Stocks to Buy or Sell Today

Description

Heightened volatility in stock markets around the developed world has put an even bigger spotlight on investing trends in the financial services industry. Passive investing through index funds or ETFs, which has become extremely popular since the 2007-2008 financial crisis, will face huge challenges going forward.

Actively managed funds have experienced enormous outflows from retail investors opting for passive-investment vehicles in this period. Canadian investment firms are also being forced to adjust to new compliance regulations that require more transparency. Larry Bates, the inventor of the T-Rex Score, which measures an investor's total return efficiency index, said that investor knowledge of fees is steadily growing.

In response, many investors are seeking more efficient options. Often, that has been in the form of robo-advisors and/or passive-investment vehicles, both of which are growing in popularity among younger investors. Today, we are going to look at three companies that are adjusting to these trends. Which stock is the best bet to ride out this evolution? Let's take a look.

Buy: Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) stock has dropped 3.5% week over week as of close on March 28. Canadian financials have suffered over the past week, as U.S.-China trade tensions have sparked yet another global sell-off in stocks. Royal Bank has declined 3.8% in 2018 thus far.

In the fall of 2017, Royal Bank launched a robo-advisor called Investease. The platform offers automated investment advice and active portfolio management by a team of accredited advisors. It has been marketed as a digital experience catered specifically to a younger demographic. Royal Bank has performed well among this demographic in consumer surveys and is well positioned to transition effectively into the new age of retail investing.

Sell: CI Financial Corp.

CI Financial Corp. (TSX:CIX) is a Toronto-based wealth management company that pitches many products, including mutual funds, exchange-traded funds, financial planning, and other services. CI Financial stock has plunged 9.2% in 2018 as of close on March 28 and shares are up only 1.2% year over year. In 2015, CI Financial acquired First Asset Capital Corp. to make its first foray into ETFs and has also made investments in FinTech in 2017.

In 2017, assets under management increased 21% at year's end to $143 billion. CI Financial's stock price will be particularly susceptible to market fluctuations due to its wealth management business, but the stock remains attractive for income investors. The company most recently declared a quarterly dividend of $0.1175 per share, representing a 5.2% dividend yield. For long-term investors, CI Financial is a hold, but in the short to medium term, the stock will likely be subject to more volatility.

Sell: IGM Financial Inc.

IGM Financial Inc. (TSX:IGM) is a Winnipeg-based financial services company engaged primarily in the distribution, administration, and management of its investment funds. IGM Financial stock has plunged 15.8% in 2018 as of close on March 28. The company experienced its highest net sales in history in 2017 on the back of a highly successful year for global financial markets.

IGM Financial also boasts a quarterly dividend of $0.5625 per share, representing a 6% dividend yield. As markets in the developed world struggle to start 2018, IGM Financial is a risky hold for the remainder of the year.

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1. Investing

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2. TSX:CIX (CI Financial)
3. TSX:IGM (IGM Financial Inc.)
4. TSX:RY (Royal Bank of Canada)

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