As Interest Rates Rise, Shore Up Your Portfolio With These Financials Stocks

Description

With interest rates widely expected to continue to rise, investors would be well advised to think about positioning their portfolios in such a manner as to benefit from this undeniable trend.

Despite record consumer debts and very shaky housing markets, unemployment remains at 40-year lows, and inflation is creeping up to the Bank of Canada's target 2% rate — signaling that all is well with the economy and that rates need to rise further, moving us into an environment of monetary tightening, as opposed to the monetary-easing environment that has worked so well to get us to where we are today.

Considering this change, where are the best places for investors to turn?

These four financial stocks are set to benefit in this new environment, and therefore it is a good idea to bulk up on these names.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

With $1.2 billion in total assets, TD is currently Canada's biggest bank, with the most assets and the second-most deposits.

The stock has been a good place to turn to for dividend yield and dividend growth, and since 1995, the bank's dividend has grown at an annualized rate of 11%.

The stock has also done really well, and has appreciated 24% in the last three years, despite the recent pullback from its highs due to lingering questions regarding the bank's sales practices.

Nevertheless, on a macro level, TD will benefit from a rising interest rate environment, as it will certainly boost the bank's numbers, as the interest rates charged on loans will rise, bringing more profit to the bottom line.

As an offset, higher provisions for credit losses are also in the cards.

TD is currently yielding 3.85%.

Manulife Financial Corporation (TSX:MFC)(NYSE:MFC)

Being an insurance company, Manulife will also benefit from rising interest rates, and although the stock has fallen so far this year, further interest rate hikes will boost the company's results.

The company is currently seeing strong growth in Asia, and we can expect continued efficiency improvements in 2018.

Manulife expects solid performance in its wealth management segment, where the Standard Life and the New York retirement plan acquisitions will help to boost its position and growth going forward.

Manulife is currently yielding 3.73%.

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

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.

Industrial Alliance currently has a dividend yield of 2.93%.

Intact Financial Corporation (TSX:IFC)

While Intact's first-quarter results showed higher-than-expected losses, the company remains a high-quality defensive play in the financial industry.

And with the release of fourth-quarter results, the company announced a 9% dividend increase, signifying that management remains confident in the business as well.

With this stock, investors get access to a quality defensive company with a strong track record, good fundamentals, and upside coming from any future acquisitions.

The stock is currently yielding 2.92%.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:IAG (iA Financial Corporation Inc.)
4. TSX:IFC (Intact Financial Corporation)
5. TSX:MFC (Manulife Financial Corporation)
6. TSX:TD (The Toronto-Dominion Bank)

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