5 Cheap Financial Stocks to Buy Now

Description

There are many bargains in the Canadian financial sector at the moment. I present five stocks in the financial sector that have a forward P/E ratio of less than 10, which is very low. It's time to buy these stocks, since they are expected to benefit from rising interest rates.

CI Financial (TSX:CIX)

Shares of CI Financial have been sliding sharply since the beginning of the year, returning -30% year to date. Disappointing quarters weighed down the performance of this diversified provider of wealth management products and services.

The company reduced its dividend and repurchased some of its shares over the last few months. CI is in a very strong position financially, with free cash flow of approximately $650 million a year. The company believes that the best use of free cash flow is to aggressively buy back CI shares because each share bought back is accretive to earnings.

The stock now trades at a P/E ratio of only 9.5 and has a forward P/E of only 7.8, which represents an opportunity to buy CI Financial on the dip.

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

Manulife's shares are down 14% year to date. The stock's forward P/E is only 7.6 and the PEG ratio expected over the next five years is only 0.7, meaning the stock is cheap relative to earnings growth. Indeed, earnings are expected to grow at an average annual rate of 11.6% over the next five years, which is very good for an insurance company.

Manulife is currently undergoing a transformation process that should result in cost savings of $1 billion over the next four years.

As the domestic insurance market becomes saturated, the largest insurer has expanded in other markets. The Asian market is experiencing very fast growth and will drive Manulife's growth and dividend increases in the coming years. Higher interest rates should also help boost its profits.

Great-West Lifeco (TSX:GWO)

Like other insurance stocks, Great-West's stock has fallen since the beginning of the year, dropping almost 8%. The stock has a low forward P/E of 9.5. What is also interesting about this stock is its high dividend yield — currently almost 5%.

The Winnipeg-based company saw its earnings increase by 17% in the second quarter as compared to a year earlier — from $585 million to $831 million — on increased sales and boosted fees.

Great West's earnings are expected to grow at an average annual rate of 10% over the next five years, which is good for an insurance company. Earnings will benefit from higher interest rates.

Laurentian Bank of Canada (TSX:LB)

Laurentian Bank's stock has plunged sharply since the beginning of the year — over 22% — and is back to the level it was about three years ago. The bank has been hit by a mortgage issue, but this issue has been resolved and it looks like Laurentian's worst days are behind it.

The stock has a forward P/E of 7.8, which is very low, so I think it is time to load up on shares of Laurentian. In addition, the stock's dividend yield is 6%, which is the highest yield among large Canadian banks.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC's stock has risen only 2% since the beginning of the year. Still, it's better than the performance of the TSX, which is down almost 2% year to date. CIBC's stock is cheap, with a forward P/E of only 9.6.

This bank has one of the highest dividend yields among Canadian banks, with a current dividend yield of 4.4%.

CIBC had the strongest increase in net income among the Big Five banks in the third quarter, with a jump of 25% to $1.37 billion.

The acquisition of PrivateBancorp last year paid off, as profit from U.S. commercial banking and wealth management rose 295% to $162 million.

CATEGORY

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2. NYSE:MFC (Manulife Financial Corporation)
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