2 Discounted Financial Stocks to Buy Before the New Year

Description

Stock market turbulence in late 2018 has hit Canadian financials stocks hard. The S&P/TSX Composite Index is energy heavy, but the financials sector remains the most heavily weighted on the index. GDP growth is set to slow in Canada in 2019, but this does not mean that investors should turn their backs on a sector that continued to turn in record profits in the face of headwinds this year.

Canada's banking regulator, the Office of the Superintendent of Financial Institutions (OSFI), will reportedly stiffen capital rules to build a defensive position in the face of economic headwinds. Canada's Big Six will be required to build core capital reserves as a buffer against a potential downturn.

Because of this, some investors may want to turn to alternatives that will have a freer hand in 2019. Of course, this will also come with added risk. Today, we are going to look at two stocks that are worth consideration after taking a beating from October into December.

goeasy (TSX:GSY)

goeasy stock was up 2.72% in early afternoon trading on December 13. However, the stock has plunged 34% over a three-month span. Back in the summer, I'd discussed why I was high on goeasy for the long term.

goeasy released record third-quarter results on November 7. Revenue rose 26% year over year to a record $130 million on the back of the growth of its easyfinancial consumer loan portfolio. goeasy has seen soaring demand for its unsecured loan product. In the above linked article, I'd discussed how rising interest rates, which have put the squeeze on consumers, could lead credit seekers into the arms of lenders like goeasy.

goeasy has climbed out of oversold territory as far as its technicals are concerned, but the stock is still hovering around 52-week lows. The board of directors declared a dividend of $0.225 per share, which represents a 2.5% yield. This is an added boon if value investors decide to buy into this sharp dip.

Equitable Group (TSX:EQB)

Equitable Group stock has dropped 6% month over month as of early afternoon trading on December 13. Shares are down 10.6% in 2018 so far. Back in July, I'd discussed why the housing rebound was great news for Equitable Group going forward.

Equitable Group released its third-quarter results on November 8. Deposits rose 23% year over year to $12.9 billion. Single Family Lending and Commercial Lending mortgage principal rose 13% and 27%, respectively. The Single Family segment was aided by high renewal rates, which Equitable Group projected would occur as a result of new OSFI mortgage rules. The alternative lender has also seen originations move in a positive direction, beating expectations. Equitable Group had forecast growth in Single Family lending of 2-4% for its original 2018 outlook, but now expects this segment to grow between 11% and 13%, an impressive turnaround.

The stock reached oversold territory in late October, but that does not mean the chance to add Equitable Group to your portfolio has passed. It also boasts a dividend of $0.28 per share, up 12% from November 2017. This represents a modest 1.6% yield.

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