



Asia Growth in 2018 Propelled These 2 Stocks: Is it Time to Sell?

Description

Back in the spring of 2018, I'd discussed why [growth in Asia](#) was great news for **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) and **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)). Both companies had staked a solid footprint and looked well positioned to benefit from the growth of the Asian middle class in the coming years.

However, worsening trade relations between the United States and China and now Canada and China have cast a cloud over these prospects. The trade spat between China and Canada has inspired boycotts on the Chinese mainland. So far, these have not had a large impact, but prolonged tensions between the countries would not bode well for the trade relationship. It could also [prove a risk to Canadian companies](#) with interests in China.

Manulife stock has climbed 12.7% in 2019 as of close on February 19. Shares are still down 12.4% year over year. The company released its fourth-quarter and full-year results for 2018 on February 13.

Core earnings for the full year rose 23% from 2017 to \$5.6 billion. However, fourth-quarter earnings rose only 8% year over year to \$1.3 billion. In Asia, Manulife achieved 19% growth in new business value to \$1.1 billion in 2018. However, earnings were negatively impacted by volatility in the fourth quarter. Total core earnings in the Asia segment rose to \$1.75 billion compared to \$1.45 billion in 2017.

Sun Life stock has increased 8.4% in 2019 so far. The stock has dropped 8.7% year over year. Sun Life also released its fourth-quarter and full-year results for 2018 on February 13.

Underlying net income climbed to \$2.94 billion for the full year compared to \$2.54 billion in 2017. Wealth sales experienced an overall decline, while the value of new business rose to \$1.1 billion over \$968 million at the end of 2017.

In the fourth quarter, Sun Life Asia reported a 26% increase in underlying net income to \$140 million. However, wealth sales plunged 46% to \$1.93 billion in the face of major volatility in the final quarter of 2018. Insurance sales were mostly flat year over year.

Both stocks are tenuous holds in late February. Manulife had an RSI of 66 as of close on February 19.

This puts the stock just outside overbought territory as of this writing. Sun Life stock had a similar RSI of 64. Manulife and Sun Life are pricey right now, but global developments may be of greater concern to investors.

Trade talks between the United States and China have netted mixed results over the past several months. Recent reports indicate that some progress has been made on narrowing the U.S. trade deficit. However, both sides are at an impasse when it comes to Chinese technological development. Washington is seeking access to the Chinese market, while Beijing appears unwilling to cede ground in this key area.

Chinese growth has slowed but remains robust in comparison to economies in the developed world. Both companies are also able to draw on the growth of the middle-class base in economies like India. Even in the worst-case trade scenario, Manulife and Sun Life will draw strength from Asia-based business into the next decade. However, both stocks boast high valuations as of this writing. This puts both firmly in hold territory at this stage.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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