Recession Investors: 4 Classically Safe Canadian Financials

Description

Investors looking to pack a long-range portfolio, a TFSA, RRSP, or RRIF need to be sure that what they're holding is stable enough to withstand a serious downturn. Below you will find four of the best financial stocks on the TSX index to buy and hold through a recession.

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

Attractively valued and with a flawless balance sheet, TD Bank has to be one of the top stocks on the TSX index bar none. TD Bank returned 46.6% over the last five years and trades at a 35% discount against its future cash flow value. A dividend yield of 3.92% is on offer, and while a 9.6% expected annual growth in earnings is not significantly high, it's not bad for a Bay Street banker at the moment.

However, this banker's valuation is only straightforward if an investor isn't too picky: though a P/E of 12.5 times earnings beats the market, it's above the Canadian banking average of 10.4. Meanwhile, a P/B of 1.8 times book is above the Canadian banking average of 1.4, as well as the market's 1.6. Aside from this, a flawless balance sheet makes for a solidly low-risk, long-range play.

Manulife Financial (TSX:MFC)

With returns of 8% in the last 30 days, TSX index insurance star Manulife Financial is outperforming both the market and the industry. Its one-year past earnings growth rate of 138.1% is impressively high, while a P/E of 9.7 times earnings Manulife Financial beats both the market and (fractionally) the Canadian insurance industry, while its P/B of 1.1 times book matches the industry exactly. A dividend yield of 4.42% pairs well with an 11.2% expected annual growth in earnings, and a future ROE of 12%.

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

Near-identical one- and five-year past earnings growth rates of 10.3% and 10.9% speak to a stock that rolls about as steady as they come. Attractively valued with a P/E of 10 times earnings and P/B of 1.5

times book, CIBC pays a tasty dividend yield of 4.96%, and is expecting a 6.6% expected annual growth in earnings and three-year ROE of 15.4%.

Canadian Imperial Bank of Commerce insiders have only sold shares during the last three months for a significant sum, although not in great numbers. Aside from this, CIBC, like the other three stocks listed here today, is as close as it comes to a perfect, low-risk stock to buy and hold long-term for stable passive income.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Scotiabank's one-year past earnings growth remained static with neither an increase nor a reduction, though its five-year average past earnings growth has been positive, if not overwhelming, at 5.3%. Its P/E of 10.8 times earnings and P/B of 1.4 times book are in line with other Big Sixers, while a dividend yield of 4.76% and 6.6% expected annual growth in earnings are also par for the course.

The bottom line

2019 is by no means looking the same as 2018 (its last quarter notwithstanding). From a 35% discount against future cash flow value to a stable dividend yield of 3.94%, TD Bank is a prime example of the kind of stock a retirement investor should leave well alone in their RRSP, RRIF, or other retirement investment plan in the face of increased turbulence on the TSX index.

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