



Which Financial Stock Is the Better Buy? Manulife Financial (TSX:MFC) or Toronto-Dominion Bank (TSX:TD)

Description

The [financial sector](#) represents a big chunk of the TSX Index, and rightly so, as Canadian financial stocks have been the backbone of the Canadian market, with big banks, insurance companies, asset managers, and the likes consistently creating shareholder value while they grow within Canada as well as beyond our borders.

Much is written about the [Canadian banks](#), which have provided their shareholders with reliable and growing dividend income as well as capital gains, making them among the most sought-after stocks.

With this in mind, I would like to take a look at two of the most well-known Canadian financial stocks out there with the goal of determining which one is the better buy at this time.

Manulife Financial ([TSX:MFC](#))([NYSE:MFC](#))

As a life insurer, Manulife will do its best in a rising interest rate environment. This is a big reason why I recommended the stock back in the days last year when rates were rising and expected to rise further.

But more than this, Manulife is a story of strong company-specific operational performance and a strong history of returning cash to shareholders.

Manulife continues to see strong growth in wealth and asset management and in its expansion in Asia, making it so much more than a Canadian life insurer. The company's fourth-quarter and year-end 2018 results showed this; the company's first-quarter 2019 results continue to show this.

In the fourth quarter of 2018, core earnings in Asia were up 23% year over year. In the first quarter of 2019, core earnings in Asia were up strongly again, this time by 17%. This reflects continued growth in that region and the general bullish thesis on the Asia expansion.

Manulife stock is paying investors a dividend yield of just over 4%, and its stock remains undervalued relative to the Canadian banks at a P/E ratio is just over 11 times.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

While TD Bank stock remains a good stock for dividend income and long-term growth, with a dividend yield of 3.88% and trading at a P/E ratio of almost 13 times, it appears that we can get better value right now with Manulife, as it plays catch up to the banks.

Also, the banks are, in general, facing an increasingly tougher market, with credit issues starting to show up (increasing provisions for credit losses), an uncertain housing market, and a heavily indebted consumer all being headwinds going forward.

Final thoughts

In closing, I think Manulife stock offers more upside as well a higher dividend yield, as the stock has been undervalued relative to the banks, and as it is seeing slightly higher earnings growth.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/09/15

Date Created

2019/05/04

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