



1 Financial Stock to Buy and 1 to Steer Clear of ... for Now

Description

Financial institutions, pretty much across the board, are in for a bearish time over the next few months. The marketplace is still nervous that a recession is in our near future, and that is causing a bit of nervousness when it comes to purchasing shares.

While this also means there are opportunities out there, investors need to beware: not every investment is created equal.

Today, I'll be looking at **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) and **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) to see which is the better choice for your portfolio.

Manulife

Despite its exposure to some volatile industries, Manulife has managed to pump out a solid performance over the last few years. Its business in Asia and the wealth and asset management sector have seen high returns that has management continue to focus on these areas for further increases. This has been done mainly through acquisitions and partnerships throughout Asia.

It's this Asian exposure that has analysts excited, as it could produce double-digit growth within the next few years. As more acquisitions and partnerships are announced, the stock could be pushed to \$35 per share in the next 12 months.

However, the opposite could occur should President Donald Trump continue his tariff threats, causing Asian investors to retreat. Right now, growth in core earnings in Asia were [up 23% year over year](#) and up 17% in the first quarter of 2019. Should the Asian expansion be paused, this could seriously hurt Manulife.

Brookfield

Brookfield basically has the means to do what it wants, and that usually means it wants to make acquisitions that will help it remain profitable over the long term. Its portfolio focuses on multi-decade opportunities, such as infrastructure, real estate, and renewable energy, managing over US\$350 billion in assets. Most recently, it acquired 62% interest in Oaktree Capital Management, pushing those assets to about US\$475 billion.

However, acquisitions cost money, and an economic downturn [could seriously hurt](#) this company. And that could already be happening.

The company recently announced its earnings report, with net income coming in at \$6.9 billion for the year and \$1.3 billion for the quarter. Funds from operations came in at \$4.3 billion for the year and \$1.1 billion for the quarter. All these numbers were down from last year, except revenue, which was announced at \$15.21 billion. The news sent shares down about 4%.

Bottom line

As a recession nears, it doesn't look like Brookfield will be able to manage its assets for much longer. A huge drop could be on the horizon — one that investors should steer clear of before it happens.

Manulife, however, has the opportunity and balance sheet to show that by diversifying and expanding into Asia, it is creating opportunities for its shareholders. While China is definitely a big deal, it's not the only place that Manulife has an investment, and it should continue to grow through the continent over the next few years.

Now, that isn't to say you should ignore Brookfield forever. It likely will need some time to get over the recession, so when it hits rock bottom, it might be a good time to buy up this stock as it hops back on the acquisition train.

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