Is Manulife Financial (TSX:MFC) Stock Safe to Hold in a Full-Blown Trade War?

Description

In a prior piece, I shed light on two stocks that were at risk of getting "Trumped" due to their reliance on China for growth.

Manulife Financial (TSX:MFC)(NYSE:MFC) was one of the stocks on the list, and as Trump's trade war takes it to the next level, the 4.3%-yielding non-bank financial is at risk of receiving a one-two punch to the gut. Not only is the firm reliant on the broader Asian market, which has been getting walloped due to the shockwave from the U.S.-China trade war, but the company's existing Asian businesses could feel a considerable amount of pain over the near term.

Now, Manulife is a solid business to own if you're a long-term dividend investor. The dividend is rich and growing, and the Asian growth potential is nothing short of encouraging.

For those who aren't fans of massive volatility, however, Manulife is a tough stock to own, as it's become a trader's playground over the last few years. As such, I've flip-flopped between going long and going short the stock, depending on macro factors and the stock's technicals. If you have a look at the longer-term chart, you can see the textbook "head-and-shoulders" reversal pattern that I warned investors of prior to the big drop in the right shoulder that was aided by short-seller worries that have since been nullified.

Moving forward, I expect more volatility, as investors panic-sell the name on unfavourable news regarding the trade war. While the stock is definitely cheap and the longer-term growth prospects are drool worthy, I think a much better price (and a higher yield) could be on the horizon for those patient enough to wait it out.

Manulife is a fundamentally sound business that's doing a pretty sound job, but over the next year orso the name will be a pinata for investors to take their China worries out on. The stock trades at 7.9times forward earnings, one times book, and 0.9 times sales, which is absurdly cheap, and while itcan't hurt to average down starting with a nibble on shares at today's levels, it may be more worthwhileto wait for shares to dip further to the $20-and-change range over the coming months if you consideryourself an all-or-nothing investor.

In any case, Manulife is a tough business to hate given the depressed valuations, so if you're optimistic that a peaceful resolution to the trade war can be reached prompter than most others are expecting, you may want to jump in now, as such an unexpected event could catapult Manulife stock by a considerable amount.

Given the odds that the trade war could drag on and have an even more insidious impact on the global economy, I'd say the downside risks appear to outweigh the upside over the next few months, but I could (and I hope I will) be wrong.

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