U.S. Fed Rate Cut Boosts TSX Earnings

Description

Investors did not respond favourably to **CI Financial** (TSX:CIX) earnings on Friday. Nonetheless, a record of positive free cash flows and a healthy dividend yield make CI Financial an excellent investment for any Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP).

In the company's earnings report, the CEO applauded the Federal Reserve's recent decision to cut interest rates as a bullish sign for the equity investments.

Sprott (TSX:SII) reported lower earnings than what shareholders would have liked, but that doesn't mean that better performance isn't on the horizon. The precious metals investment firm started on the outset of the financial crisis, a challenging time for the stock market and financial advisory services.

Sprouting from adversity, TFSA and RRSP investors should consider the generous dividend an investment in the best portfolio hedge: gold.

CI Financial

CI Financial is a Canadian asset management company specializing in equity, fixed-income, and alternative investment portfolios. Founded in 1965, CI Financial manages mutual and hedge fund investments for wealthy clients in Canada.

The market was not enthusiastic about CI Financial's earnings this morning. The stock dropped 1.2% on market open likely due to a fall in assets under management (AUM) growth. AUM fell by 6% since last year, indicating that the company is struggling to provide clients with competitive returns.

On a more positive note, the investment fund increased its assets under advisement (AUA) by 7% from last year. AUA differs from AUM in that the asset management company does not hold and/or directly impact transactions of AUA assets. Thus, AUA poses significantly less risk than AUM.

Last year, CI Financial announced excellent levered free cash flows of $625.34 million. At a share price of just over $18, TFSA and RRSP investors may want to consider purchasing the stock as a long-term investment. At the current share price, the annual dividend yield stands at almost 4%, and the positive cash flows foreshadow optimistic long-term stock price performance.

Sprott

Founded in February 2008 at the start of the financial crisis, Sprott is a precious metal investment firm to include gold and silver. The young firm specializes in offshore fund management and hedge fund investments.

Sprott struggled to impress investors this morning after reporting earnings of $0.01 per share — lower than the stock's cash dividend of $0.03 per quarter. On the market open, the stock fell almost 3%.

Sprott CEO Peter Grosskopf expressed optimism at the U.S. Federal Reserve's most recent decision to reduce interest rates. Grosskopf believes that precious metals may have begun a new uptrend. The sector may see some moderate price appreciate due to recessionary speculation and international trade concerns.

Precious metals are a worthwhile defensive investment for any TFSA or RRSP. At a dividend yield of 3.25%, an investment in Sprott would provide decent returns and a hedge against distrust in the financial sector. Further, the stock's price has been climbing since the beginning of 2018 and is now up 21%.

Foolish takeaway

Regardless of where global interest rates are headed, a portfolio containing both these stocks will surely benefit from high returns. TFSA and RRSP investors should consider these stocks when adding financial sector stocks to their collections.

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2. TSX:SII (Sprott Inc.)

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