



Housing Is Back! 1 Dividend Stock to Watch in October

Description

Canada's housing market has [bounced back nicely](#) in the second half of 2019. Sales were sluggish in 2018 after the implementation of new OSFI mortgage regulations that included a stress test for uninsured buyers. Major metropolitan areas in Toronto and Vancouver reported sharp declines in activity. However, low supply and steady demand saw prices continue to increase. Housing starts slowed in September, according to a recent report from the Canada Mortgage and Housing Corporation (CMHC). This supply crunch will continue to underpin prices going forward.

The market is more balanced as we enter the final three months of 2019. This election has seen housing vault to the forefront, but this is an issue we will discuss later this week. Today, I want to look at one [housing-linked dividend stock](#) that I have been high on for a while.

Genworth MI Canada (TSX:MIC) is a private residential mortgage insurer. The stock has climbed 25% over the past three months. In early August, **Brookfield Business Partners** announced that it would acquire a 57% controlling interest in Genworth in a \$2.4 billion deal. The company is expected to release its third-quarter 2019 results later this month. Is the stock worth buying ahead of this next earnings release? Let's jump in.

Earnings reflect the broader rebound

In its second-quarter results, Genworth reported net income of \$110 million, which was up 13% from the prior quarter. This was due to a lower level of realized and unrealized losses from derivatives and foreign exchange. Net income has dropped to \$207 million in the first six months of 2019 compared to \$244 million in the same year-to-date period in 2018.

The company reported an 86% surge in transactional premiums written and an 85% jump in total premiums written. New insurance written rose 12% to \$5.3 billion primarily due to increased housing activity. In the year-to-date period, premiums written have increased to \$300 million over \$287 million in the previous year, and total new insurance written has climbed to \$11.6 billion over \$10.1 billion.

Improved activity in the second half of 2019 bodes well for Genworth as we await results in the back

half.

Genworth is a top dividend stock in the housing sector

Genworth last announced a quarterly dividend of \$0.51 per share. This represents a 3.8% yield. The company has achieved dividend growth for 10 consecutive years. Genworth ended the second quarter with \$403 million of cash and liquid assets, which is \$100 million below the company's target. It expects to receive a boost from pending acquisitions in the coming quarters.

The stock possesses a price-to-earnings ratio of 11.2 and a price-to-book ratio of 1.1. Genworth is trading at the high end of its 52-week range. Value investors may want to wait to pull the trigger on Genworth at a better price point. The stock is well worth monitoring ahead of its third-quarter earnings release. I'm targeting a yield in the 4% range before buying Genworth.

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