TSX Stock Investors: See the 1 Sector to Sell in March!

Description

Another tough year is unfolding for **TSX** stock investors with too much bank exposure in their portfolios. Today we'll take a look at why it might be time to start trimming — and what to buy to fill that financials segment instead.

What the rate cuts mean for bank stocks

The [Canadian interest rate cut] surprised investors Wednesday. TSX stock investors should therefore check their appetite for risk and thinking about trimming their Big Five holdings.

Both sides of the border saw their central banks slash interest rates this week — a move designed to stimulate the economy amid headwinds from the coronavirus.

Everything from air travel to supply networks to manufacturing have already been hit by the potential pandemic. The rate cuts were implemented to soften the blow and boost the economy's immune system.

That's all well and good, but for banks, the cut comes at a time when revenue growth has been disappointing. Indeed, our top banks collectively pulled in just 3% growth between January 2021 and January 2020.

It's not just the Canadian rate cut that will hurt Bay Street's finest moneylenders, however. The U.S. cut that shocked markets Tuesday will also eat into profits. **TD Bank**, for instance, could see profits down in 2020 by 1.5% by a conservative estimate.

Indeed, TD Bank was down 4.8% for the week. **Scotiabank** lost 3.7%. **CIBC** fared a little better, having shed 2.7%. Overall, the mood has been negative for Canadian banks. The takeaway today is that investors should consider trimming the Big Five from portfolios.

A top TSX stock investors should buy instead

Selling out those bank stocks in March? Still want exposure to financials? Why not snap up shares in **Manulife Financial** (TSX:MFC)(NYSE:MFC) instead? The stock is on sale at the moment, down 2% on the coronavirus worries as they continue to rattle the TSX.

There's a strong thesis for reducing risk in a portfolio. Having insurance coverage is essential, no matter what the economy is doing. This simple reason alone means that Canada's top insurance stock, Manulife, is practically recession-proof, potentially even more so than the Big Five.

Manulife is also a strong pick for an income investor, offering a 5% dividend yield with 36% payout coverage. This latter characteristic makes for a well-covered payment with room for dividend growth in the future.

Manulife is diversified, too, thus adding to its relative safety. Its services include financial advice, insurance, and an array of asset management products.

Its geographical spread is also slid, covering Asia, North America, and beyond. The stock is renowned for being excellent value for money, with attractive market ratios. It's P/E, PEG, and P/B are all below the insurance sector averages, for instance.

The bottom line

Getting rid of risk is a top priority right now, and with bank stocks showing their cyclical side, there's a moderate sell signal. Manulife is a top stock that TSX investors can buy ahead of a recession, meanwhile.

The top insurer pays a dependable dividend and fills that financials niche in a portfolio. Throw in some attractive fundamentals and you have a solid buy.

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