2 Financial Services Stocks to Buy When the Time Is Right

Description

It's no secret that stock markets around the world are in a shambles. This is the quickest that stock markets have been hemorrhaging money. On March 14, Bloomberg published a graph that showed that stock markets had lost $17 trillion in just 52 days. Just to lend some perspective to this number, the financial crisis of 2008 took 262 days to lose the same amount of money.

Has the stock market bottomed out? No one can tell for sure. We will probably have a better idea by the end of April. However, there is no denying the fact that there are some very good stocks available at really cheap valuations and this could be the right time to keep an eye out for good stock picks.

I have shortlisted two stocks in the financial services space that could add a lot of bang to an investor's portfolio. Both these stocks have market capitalizations over $15 billion and are leaders in their field.

A leading insurance player

The first one is **Manulife Financial Corporation** (TSX:MFC)(NYSE:MFC), an insurance player in North America and Asia. The company reported core earnings of $6 billion for 2019, an increase of 5% from the prior year, driven by double-digit growth in Asia and growth in the U.S.

Manulife has increased its quarterly dividend by 12%, bringing the forward yield to 6.83% at the current price of $16.04. Manulife has delivered a compound annual dividend growth rate of 11% in the last five years, which is supported by steady earnings growth.

While dividends yields for a lot of stocks have gone up, dividends may be cut or stopped in the present environment. From the looks of it, investors won't have that worry with Manulife.

As stock markets fall, Manulife Financial sees opportunities to acquire U.S. corporate debt, thanks to the widening of credit spreads. Chief Executive Roy Gori said, "That's a big part of our focus, so that's an opportunity we will definitely continue to focus on and capture." Analysts have given this stock a target of $28 in the long term.

The second player in this space is **Sun Life Financial** (TSX:SLF)(NYSE:SLF) that is trading at $42.43, down over 36% from its February high of over $66. This is one of the largest and oldest insurance companies in the world.

Sun Life reached $1 trillion in assets under management in 2019. For the full year, it delivered an underlying return on equity of 14.3%. Since 2015, the company has generated an average shareholder return of 11.2%.

At the end of the fourth quarter, the cash position at the holding company was $2.3 billion. After the drop in stock prices, Sun Life has a forward dividend yield of just over 5%, which makes it a very attractive passive income stock.

Its Asian insurance business grew by 43% in the fourth quarter of 2019. That growth will be tempered by COVID-19 in 2020, but it shouldn't take a long time for the business to get back up.

The company has implemented processes that ease the burden of premium payments, and insurance is not something that people want to default on, especially considering the current environment.

This is another stock to keep an eye on for a bargain buy.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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Date
2025/08/23
Date Created
2020/04/06
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