TFSA Investors: 2 Dividend Stocks That Have Likely Bottomed!

Description

As a TFSA investor, you know that a dollar within your TFSA is worth a heck of a lot more than a dollar outside of one. The power of long-term tax-free compounding is quite unfathomable. Given one can't offset TFSA losses with gains outside a TFSA, it makes sense to invest prudently.

The coronavirus has wreaked havoc on the stock market, but this Monday there was a glimmer of hope that sent stocks surging nearly 8% in a single trading session. As such, value-conscious TFSA investors should seek to avoid chasing the bear market bounce. I like to see bear market bounces as akin to bull market dips.

They're more likely to revert to the longer-term trend and ought to inspire contrarian actions, such as buying when others are selling on a bull market dip and selling when others are buying on a bear market bounce.

Even if the markets are to pull back to the lows we witnessed in late March, I think plenty of stocks have been severely oversold and are likely to hold their own in another market-wide leg down. This piece will have a look at two Canadian stocks that I think have already formed a bottom and are buyable today, regardless of where the broader markets are headed next.

Manulife Financial

Manulife Financial (TSX:MFC)(NYSE:MFC) stock has been bruised badly amid the coronavirus pandemic, with shares falling 53% from their January 2020 highs.

As you may know, a considerable chunk of Manulife's growth depends on the health of the Asian market (30% of Manulife's profits are derived from Asia). And given the economic damage done in recent months, it's not a mystery as to why Manulife stock has led the downward charge among financials during the pandemic pullback.

While COVID-19 will have a drastic impact on Manulife's bottom line, I still view the extent of the pullback as overblown and think the stock could hold its own should the market retest its lows in late

April.

Sales, earnings, and cash flows are under substantial pressure, so TFSA investors should look to P/B for a gauge of how cheap shares are after the violent decline. Manulife stock trades at 0.7 times book, which is considerably lower than the stock's five-year historical average P/B of 1.13. With a relatively safe 6.7% yield, I think income-oriented TFSA investors ought to consider starting a position today, even on the bear market bounce.

iA Financial

Sticking with the insurance theme, we have **iA Financial** (TSX:IAG), which plunged a staggering 59% from peak to trough. Shares are so severely battered that I think the name has already formed a bottom.

In a prior piece, I'd praised the Canadian insurer as a more prudent and conservative player and that shares would be more likely to post a full rebound relative to some of its peers in the health and life insurance space (such as Manulife).

The business of insurance is definitely fickle during tough times. With a relatively healthy balance sheet and a solid dividend payout, TFSA investors should feel comfortable picking at iA's modest 4.5% yield, which I see as better covered relative to iA's peers in the space.

Like with Manulife, traditional valuation metrics other than price-to-book no longer make sense given the multiple expansion on the horizon. iA stock trades at 0.8 book, which is ridiculously undervalued given the exceptional stewards running it.

Stay hungry. Stay Foolish.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:IAG (iA Financial Corporation Inc.)
3. TSX:MFC (Manulife Financial Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/08/24
Date Created
2020/04/08
Author
joefrenette