1 Top Stock to Buy With $2,000

Description

If you have $2,000 to invest, **Manulife Financial** (TSX:MFC)(NYSE:MFC) might be a top stock to buy and hold for the long term. The stock market will rebound eventually from the COVID-19 pandemic. When it does, established insurance stocks trading for a discount today will be worth more tomorrow.

Before you make up your mind, here are the pros and cons of buying into insurance stocks like Manulife Financial.

How will COVID-19 impact MFC profits?

The COVID-19 health crisis will impact Manulife Financial's bottom line in the following ways:

1. Lower insurance revenue from premiums
2. Increase in insurance claims
3. Falling asset values

First, individuals may be less likely to maintain insurance with Manulife Financial during a recession. If consumers do choose to keep up with their insurance policy, they may choose policies with less coverage. Thus, Manulife's revenue stream from insurance premiums remains at risk during a COVID-19 induced recession.

Second, Manulife Financial may see a rise in health and life insurance claims. Doctor visits, including preventative care and coronavirus tests, will increase costs for the insurance company. As revenue falls and costs rise, Manulife's profit margin will shrink, raising red flags to investors.

Third, insurance companies depend upon returns from invested premiums to earn a profit. In times of falling asset values, insurance companies like Manulife earn lower returns from investment. Therefore, shareholders will see Manulife as a stock with lower return potential than other options on the **Toronto Stock Exchange**.

Some dividend risk in the near term

Before you go out and buy this stock today, you should understand some of the risks with this particular choice. As many analysts are noting, Manulife Financial can be a volatile stock to hold in a portfolio during economic recessions. Furthermore, the dividend payment may not always be safe, as insurance firm profits plunge from the financial impacts of demand shortfalls in the economy.

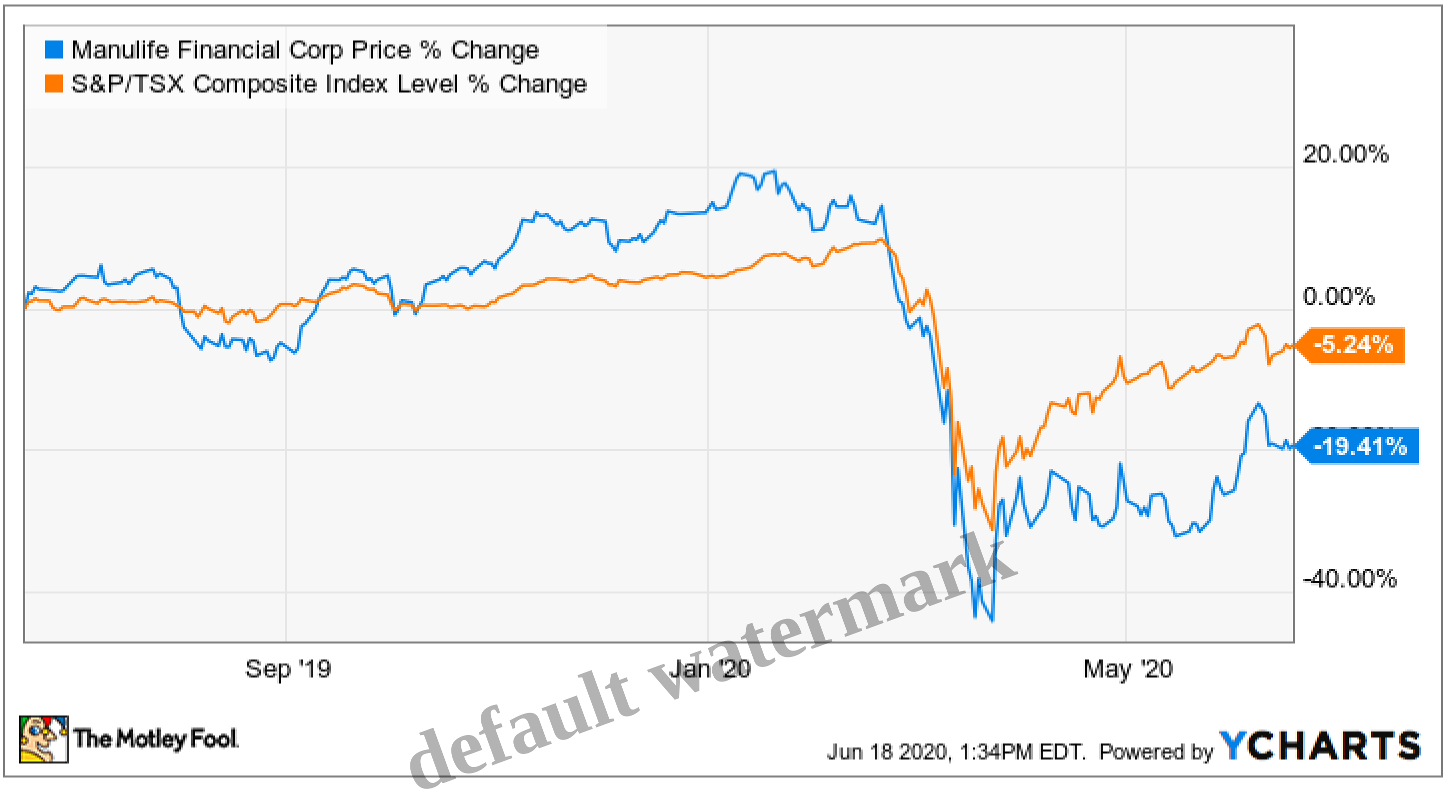
> $MFC cut their dividend 50% during the global financial crisis in 2008. @Manulife #stock can plunge precipitously at times and so look at historic lows over at least the past 5 years. $MFC.t $MFC.to $CM $LB $HCG $EQB $CWB $RY $TD $BMO $BNS pic.twitter.com/4hKbudHuej
>
> — Dr_Silberschmelzer (@silberschmelzer) June 17, 2020

Should you buy this top stock?

Looking at the five-year price chart for Manulife Financial, you can see that the stock usually trades at P/E ratios between approximately eight and 12. Therefore, it is a good bet to buy the stock somewhere within this range.

That’s not to say that the P/E ratio can’t fall further. Also, you must keep in mind that earnings may still suffer drops by the end of the year, dragging the stock price down with it. Nonetheless, the stock seems to hit strong resistance at around $16 per share.

Over the past year, Manulife Financial has lost 19.41% of its value. Although it isn't weighing down the index as much as airline stocks, this insurance company is a major culprit behind the 5.24% drop in the **S&P/TSX Composite Index** level percentage change in the past 12 months.



Big, established brands like Manulife Financial will most likely rebound from this crisis just as strongly as they entered. However, no stock market purchase comes without risk. If you have $2,000 to invest, Manulife Financial is a top stock with upside, as long as you have the patience to wait for the stock to rebound from this crisis.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/26
Date Created
2020/06/21
Author
debraray