2 Top TSX Stocks to Watch This Fall

Description

Today we will take a look at a pair of stocks that will act as bellwethers for a post-pandemic recovery. Drawn from the worlds of banking and insurance, these names are both wide-moat picks that in normal times would provide backbone to a stock portfolio. But with the pandemic still looking likely to weigh on both sectors even after a recovery, let's briefly explore whether either of these two exemplary stocks might be a buy later in the year.

The Big Five bank stock pick

Scotiabank (TSX:BNS)(NYSE:BNS) has seen a delayed reaction to the unfolding of the coronavirus pandemic. The reason for this is that it's exposure to the countries of the Pacific Alliance have suffered a staggered entrance to the pandemic. In theory, this means that Scotiabank is behind its Big Five peers when it comes to a recovery from the ravages of the public health crisis.

Look out for Scotiabank's next quarterly report. This report should bring investors closer to a realistic picture of the effect of the pandemic on Canadian banks. Scotiabank fared the least well of the Big Five during the most recent round of earnings reports. However, this is a blue-chip dividend king with a rich (6%) yield in a sector that has historically held the line when it comes to under-fire dividend payments.

Making the case for insurance stocks

The insurance industry has taken a real battering this year. **Manulife Financial** (TSX:MFC)(NYSE:MFC) is a key stock to watch since its performance is strongly correlated with recovery efforts. As such, a vaccine rollout will, in theory, see this name improve. However, much of the damage has already been done, and even if the pandemic ended today, the backlog of claims would be mountainous.

Still, Manulife has managed to improve significantly in the last few months — so much so that it is now in the red by just 18% compared with last September. Yes, in any other year this would be a horrific year-on-year performance. But now consider the fact that Manulife is trading almost 60% higher than its 52-week low. And yet a rich 5.7% dividend yield can still be locked in.

How to play a deteriorating market

One way to play Manulife would be to decide on the size of a position one would eventually like to hold in this name. Next, don't back up the truck. Instead, investors should stop trying to time the bottom and start buying in smaller quantities. This method will allow investors to build a position only when share prices are falling. When that position size has been reached, it will have been at a lower outlay.

These names both offer a similar twin-fold benefit to investors. First and foremost, these are blue chip stocks to add to a dividend portfolio. But of secondary benefit to investors is the potential for near term capital gains. As both of these top drawer income stocks have been weighed down by the public health crisis, its abatement should see their share prices spring back.

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