3 Top Canadian Blue Chips to Buy Right Now

Description

While most other investors chase the “sexy” play on Bay or Wall Street, you should be looking to the battered blue chips to get the best risk/reward trade-off. Too many investors chase stocks that give them the greatest chance of making the most money while paying less consideration to the downside risks. Prudent investing is more about weighing both the risks and rewards, with the ultimate goal of optimizing one’s potential rewards relative to the risks taken on.

In this piece, we’ll have a look at three Canadian blue-chip stocks that I view as the bluest of blue chips. Each name has taken a modest hit to the chin but could be in a spot to come surging back, as the North American economy heals from the horrific COVID-19 crisis.

Without further ado, consider **IA Financial** (TSX:IAG), **Bank of Montreal** (TSX:BMO)(NYSE:BMO), and **Manulife Financial** (TSX:MFC)(NYSE:MFC).

IA Financial: An underrated insurer that reeks of deep value

IA Financial is quite possibly the most underrated Canadian financial on the TSX. Despite posting a better-than-average recovery from the Great Financial Crisis, shares of IAG still tend to trade at a discount to their peer group.

In numerous prior pieces, I’ve highlighted that the discount on IAG was probably due to the below-average size of its dividend yield and its less-compelling growth profile, not because of the stellar managers running the show. IA’s managers know how to manage risks well, making IAG stock an incredibly underrated way to play a bounce back in the Canadian insurers.

The stock trades at a mere 10.3 times earnings, 0.5 times sales, and 1.1 times book, making IAG stock one of the lower-cost ways to get a 3.32% yield.

Bank of Montreal: This Big Six blue-chip stock has never looked better!

Bank of Montreal took a tonne of damage amid the 2020 coronavirus sell-off. After bottoming out earlier last year, the stock has not looked back, with shares surging nearly 60% on the back of better-than-feared quarters. BMO may have had more fossil fuel loans than it would have liked, but with the big economic recovery underway, I'd say BMO stock has the most room to run, as it looks to regain a more premium multiple versus its peer group.

Looking beyond 2021, BMO is a buy for its earnings-growth prospects, as the firm moves on from one of the worst crises in over a decade. With less domestic mortgage exposure than its peers, BMO is a top pick if you don't want to be feeling amplified damage if the Canadian housing market were to crumble.

Manulife: A blue-chip stock for really long-term thinkers

If IA Financial's growth profile isn't to your liking, Manulife may be more your cup of tea. On the other side of this pandemic, the company could be in a spot to grow its top line at a low double-digit rate thanks to its sought-after Asian business.

Today, Manulife and its peers in the insurance space are managing through the unprecedented COVID-19 headwinds. Once the pandemic ends and macro headwinds fade, I think it'll be off to the races again for Manulife, as investors look to the high-growth Asian business and a potential rising rate environment that could be in the cards many years down the road.

The stock trades at 0.6 times sales and one times book value with a 4.7% yield. Manulife may be a riskier insurance play, but it's one that could be far more rewarding over the long haul. Those with patience should strongly consider buying the name on weakness.

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BMO (Bank Of Montreal)
4. TSX:IAG (iA Financial Corporation Inc.)
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Date
2025/07/05
Date Created
2021/01/26
Author
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