



1 Top TSX Stock to Buy Now

Description

There are a number of great options on the TSX. However, I think **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) is among the best in its class today. I would highly encourage value-oriented dividend investors to consider this stock right now. I don't anticipate a blue-chip company like Manulife to have a 4.7% yield forever. Those bullish on the long-term potential of the economy can't go wrong with this stock.

Here's why [Manulife is the top TSX stock I think investors should buy now](#).

A steepening yield curve very bullish for Manulife

Life insurers in general have been desperate for a steepening yield curve. Well, now it appears that bond markets are granting companies like Manulife a reprieve.

In a steepening yield curve environment, the returns of life insurers and other companies that need to match long-term liabilities with long-term investment gains should outperform. Manulife and its peers generate a return on the spread they're able to earn on long-term investments and the payouts they make for claims. Higher bond yields allow for better margins moving forward on the premiums received. Accordingly, I see the company's long-term outlook being continually upgraded, as we see bond yields trend higher over time.

Furthermore, a steepening yield curve indicates broad market optimism that the recovery could be stronger than expected. Indeed, this is very bullish for life insurers like Manulife.

Manulife's high dividend yield might not be around for long

Manulife's 4.7% dividend yield right now is sustainable, but it won't be around for long. When these life insurers become fully valued, I think we'll see this yield drop as capital appreciation creeps back into this stock. Investors seeking high-quality, blue-chip dividend stocks like Manulife ought to lock in this yield before it shrinks toward its historical levels.

The company's growth potential, particularly in emerging markets, supports its fundamentals and dividend yield. I think there's really no other life insurer like Manulife out there with the type of yield and growth potential this stock provides. Indeed, I would highly encourage investors to seek out Manulife as a core dividend holding, if one hasn't already done so.

Rotation toward yield and safety likely

As I've stated in the past, I think we're on the verge of seeing a massive rotation away from growth stocks into those offering safety. Stocks paying yields like those of Manulife are also likely to get a bid.

I think that given the underperformance we've seen in value stocks like Manulife of late, a revaluation toward the longer-term mean is likely. Value stocks can't stay this depressed forever on a relative basis. I think when the market corrects the next time (and it will; it's a fact of life), valuations will come into focus. In this light, Manulife certainly looks well positioned to take advantage of these capital inflows.

CATEGORY

1. Bank Stocks
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1. NYSE:MFC (Manulife Financial Corporation)
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