2 Energy and Financial TSX Stocks to Buy Now

Description

Energy and financial stocks have led the broader **TSX** higher over the past six months. Looking into the second half, there's a pretty good chance that we'll witness more of the same. That said, investors shouldn't expect a smooth ride higher, as many commodities could find themselves in a spot to surrender a chunk of the gains posted in the first half of 2021.

With many TSX energy stocks and top financial names still on the lower end of the historical valuation range, though, Canadians can stock pick their way to good results heading into what's likely to be an unpredictable year-end.

TSX stocks in the energy and financial universe are still good buys on strength

Undoubtedly, the energy and financials compose an overwhelming chunk of the TSX Index. So, there's a lot to pick from if you're bullish on the two sectors. In this piece, we'll have a look at two of my favourite plays in each respective industry at this juncture. I think shares of both firms are undervalued such that a broader pullback in each respective industry is unlikely to cause excessive downside.

Without further ado, consider **Manulife Financial** (TSX:MFC)(NYSE:MFC), my top Canadian financial pick, and **Suncor Energy** (TSX:SU)(NYSE:SU), an exciting contrarian energy pick to play the second half.

Manulife Financial

Manulife Financial is a Canadian insurer and wealth manager that's been quite volatile in recent years. As you may know, the business of insurance tends to be quite cyclical. With things looking up for the Canadian economy, as we head out of this pandemic, the insurers look compelling at these valuations.

While you could pick any insurer and do relatively well over the long run, I prefer Manulife for its growthy Asian business, which could really pay massive dividends through the coming decade. While Manulife's latest earnings were decent, COVID-19 pressures were still prominent. As COVID-19 abates, I think Manulife still has room to run, as it gets back on the growth track.

For the quarter (Q1/2021), Manulife clocked in 16% in year-over-year core earnings growth in its Asian business. I think the quarter is just a preview of what's to come as we inch closer toward normalcy. At 1.1 times book value, I'd argue there's a nice margin of safety to be had at current levels.

Combined with the solid long-term growth prospects in Asia and Manulife stock looks too cheap to pass up mid-year.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) had enjoyed a nice 35% rally in the first half. Yet, shares are still lagging the pack, as many of its peers have witnessed even greater gains on the back of continued strength in oil prices. The relative discount on Suncor stock, I believe, stems from the dividend cut suffered by investors last year.

Nobody likes to be on the receiving end of a dividend reduction. Still, with higher oil and a lower relative valuation, I think investors are leaving a lot on the table by taking a raincheck on the integrated oil company.

Sure, Suncor is no longer the king of the oil patch, and prior shareholder Warren Buffett is now on the sidelines. However, there's no denying Suncor's incredibly robust cash flows, as industry conditions improve further.

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Date
2025/07/07
Date Created
2021/07/09
Author
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