Buy 3 Financial Stocks in the Next Slump

Description

The financial sector has experienced remarkable growth in the last few months. The **S&P/TSX Capped Financial Index** grew 23% between the end of December and its most recent peak. But now, the growth momentum is waning, and the financial sector is normalizing.

The growth was quite pronounced in the big five, and now that there is a sector-wide slump on the horizon, the Big Five banks are turning into lucrative valuation bets. But they aren't the only financial stocks worth considering during the upcoming dip.

The oldest Dividend Aristocrat in the sector

Canadian Western Bank (TSX:CWB) has the distinction of being the oldest aristocrat in the financial sector, not just in the banking sector. The bank has been growing its payouts for 29 consecutive years and is currently offering a decent 3.4% yield.

Prior to the pandemic-driven crash, the bank stock showed cyclical growth, and ever since the pandemic, the stock has been growing quite consistently.

It has risen over 47% in the last twelve months alone. If it's the end of its peak cycle and the stock is now going to slump to new depths, you might consider waiting a bit. Once it reaches rock bottom, you'll be able to grab a well-established Dividend Aristocrat offering a generous yield at a heavily discounted price.

The institution is small compared to the Big Five or even the **National Bank of Canada**. But its yield, combined with the short-term growth potential it might offer from its rock-bottom position, make it just as worthy a holding (in the Canadian banking sector) as one of the Big Five.

A fairly valued financial stock

If you are looking for something very attractively valued and offering a better yield, **Power Corporation of Canada**

(TSX:POW) might fit the bill. The stock is almost fairly valued right now and is offering a juicy yield of 4.5%. And even though its current 10-year CAGR of 9.5% is mostly a consequence of its post-pandemic growth spurt, the valuation suggests that the stock might keep growing further.

As international management and holding company, Power Corporation of Canada has two publicly traded operating companies, two alternative asset platforms, and a few other businesses under its umbrella. The company is going through a strong financial recovery, and if the second-quarter results assert this notion, it might give the stock a significant boost.

An insurance company

The financial sector of Canada is quite rich when it comes to consistent growth stocks. And one of the stocks you might consider adding to your portfolio just because of its reliable growth prospects is **Intact Financials** (TSX:IFC). As the largest insurance provider of property and casualty insurance in the country, Intact doesn't just have an impressive local and international presence, it also has several well-known brands under its umbrella.

The company also has a stellar dividend history. It has been growing its dividends for 16 consecutive years. The current yield of 1.9% is not very enticing, but if you add the 10-year CAGR of 14.5% in the equation and the fact that as an industry leader, Intact is well-poised for future growth, the yield becomes less of a deterrent and more of a cherry on top of what's actually a "growth" sundae.

Foolish takeaway

The ideal time to buy these stocks was earlier this year or during the market crash. The next best time would be the next bear market. Even though the **TSX** as a whole might be moving upwards, the financial sector is expected to enter a new bear phase. It would be a good idea to keep an eye on these and other amazing financial bets and buy them just before the sector starts to recover.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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2. TSX:IFC (Intact Financial Corporation)
3. TSX:POW (Power Corporation of Canada)

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Date
2025/07/27
Date Created
2021/07/29
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