



2 Stocks to Watch for the Financial Sector Correction

Description

After the 2020 pandemic-driven market crash, each sector started recovery at its own pace. The tech sector was the first to recover, and it's not difficult to connect the dots for its recovery. Most tech companies saw their businesses boom during the pandemic. The financial sector was late to the party, but its growth has been quite steady so far, and it's still riding the growth momentum.

In the last 12 months, the **S&P/TSX Capped Financial** has grown over 39.5%. And so far, it's not showing any signs of slowing down. But at the pace it's currently growing, a correction seems inevitable. And when that happens, it will make several decent financial stocks more attractively/reasonably valued — perfect for the picking.

An insurance company

The TSX is home to a decent collection of [insurance companies](#), and even from that enviable bunch, **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) stands out. It's one of the most prominent life insurance companies around the globe and has millions of clients across the globe. Its global presence is extensive, as the company has offices in 27 countries, with 42,100 employees and 140,900 advisors.

The company has \$1.39 trillion worth of assets under management, and it's more than just a simple life insurance company. In the last quarter, only 22% of its net income came from individual insurance and 15% from group insurance. The bulk of the income (38%) comes from asset management.

Sun Life offers a decent combination of both capital growth appreciation and dividends. The current yield is 3.7%, and the 10-year CAGR is 17.2%. The valuation is just right for now.

A bank

National Bank of Canada ([TSX:NA](#)) is the smallest of [the Big Six](#), but it stands out when it comes to growth potential. The bank was an amazing growth stock before the pandemic, and the post-pandemic growth has been nothing short of phenomenal. The stock has grown 145% since its market crash

valuation. That's more growth in less than two years than its growth in the eight years before the pandemic.

If you had bought into the bank during the pandemic or, ideally, when it was trading at its rock-bottom prices, you would have doubled your capital by now. But if you missed that opportunity, the prudent thing to do would be to wait. Whether the stock experiences a brutal correction or a mild normalization, any dip would be in your favour. You might also be able to lock in a better yield than the current 2.6%.

Foolish takeaway

The financial sector *will* go into the correction mode, but when and how much is difficult to predict for now. It would be a good idea to identify your prospects right now (both growth and [dividend stocks](#)) and keep tracking them for the slump. Ideally, you should buy when the stock hits its lowest point, but it can be difficult to plan for, so it's a good idea to work with a flexible threshold.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)
2. TSX:SLF (Sun Life Financial Inc.)

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