Higher Interest Rates: 2 of the Best Stocks to Buy Now!

Description

With all that's been going on lately, the gradual dropping of COVID requirements and the ongoing war in Ukraine, the announcement that the Bank of Canada is increasing interest rates may have slipped through the cracks. This is a significant move, albeit one that was well anticipated. As with any developments in the economy, when interest rates move higher, there are several stocks to buy that will likely be top performers in the new economic environment.

The fact that the BoC raised interest rates is significant for a few reasons. Firstly, this is the first time interest rates have been raised since 2018. Furthermore, with so much inflation in the market and a soaring housing market that for years the government has tried to get under control, the tightening of monetary policy is sure to affect the Canadian economy.

Plus, not only is tightening monetary policy significant for the entire economy, it creates an opportunity to buy some of the best Canadian stocks that will benefit from higher interest rates.

Of course, naturally, financial stocks will be some of the biggest gainers due to higher interest rates. But it's vital that we don't just buy any financial stock. We still want to buy high-quality companies or investments that have years of growth potential so we can hold these investments for the long haul. And, of course, if we can get these stocks at a discount, it makes them even more appealing.

So if you're looking to position your portfolio for higher interest rates, here are two of the best Canadian stocks to buy now.

A top Canadian financial stock

If you're looking to take advantage of higher interest rates, one of the best Canadian stocks to buy now has to be **Manulife Financial** (TSX:MFC)(NYSE:MFC), the massive $50 billion insurance company.

Manulife is a top stock to buy today for several reasons. Firstly, its massive financial operations will surely benefit from higher interest rates giving its business a significant tailwind over the coming years. Furthermore, because it's been operating in a lower rate environment for so long, the stock is considerably cheap, especially for a business of its size. So investors have the opportunity to buy the high-quality Canadian stock while it's undervalued today.

In addition to the discount in its share price, though, and the natural opportunity it will have to grow and expand its margins over the coming years, Manulife also has a tonne of growth potential with its segments in Asia.

Therefore, with the analyst target price sitting at a more than 23% premium to today's share price, and Manulife's extremely safe dividend offering a yield of more than 5.1%, it's undoubtedly one of the best stocks to buy now. And as interest rates continue to move higher, Manulife's opportunity to profit will only continue to increase.

Bank stocks are excellent investments as interest rates move higher

In addition to insurance companies like Manulife, bank stocks will also be some of the biggest gainers as interest rates move higher over the rest of the year.

And while there are tonnes of bank stocks to buy, including ETFs, you could also consider stocks south of the border as well, through an ETF such as the **BMO Equal Weight US Banks Hedged to CAD Index ETF** (TSX:ZUB).

ZUB is an excellent investment for Canadians looking to gain exposure to top U.S. banks, and because it's hedged to the Canadian dollar, you don't have to worry about the changing value of the loonie.

The ETF offers exposure to 20 different banks, including some smaller regional banks as well as larger well-known banks with branches across the country.

In total, the ETF has a trailing price-to-earnings ratio of 11.7 times and a price-to-book ratio of roughly 1.5 times, both below the industry average.

So if you're looking for the best stocks to buy as interest rates move higher, a bank ETF such as ZUB is certainly one of the top investments to consider.

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danieldacosta