2 Bargain Stocks You Can Buy Today and Hold Forever

Description

The ongoing bear market, coupled with the market selloff, has provided investors with better valuations than we've seen in some time. However, determining which companies are bargain stocks and which are value traps isn't necessarily the easiest exercise. Many stocks look cheap but, in reality, may have further downside ahead.

That said, the TSX happens to have a number of high-quality stocks trading at bargain valuations that are worth considering. Here are two of my top picks for investors looking to reach into the bargain bin.

Top bargain stocks to buy now: Fortis

Fortis (TSX:FTS)(NYSE:FTS) is one company I've been pounding the table on for some time. This utilities company is one of the largest in North America, focusing on the electric and gas utility markets. As of June this year, the company has assets worth $60 billion. Thus, for those looking for scale and long-term viability, Fortis's underlying business is one that provides its own defensive moat.

Additionally, the company's business model is very defensive. With the majority of the company's cash flows coming via its regulated business, investors can sleep well at night knowing the company's cash flow position will remain solid. Until folks turn off the lights and their A/C units, Fortis is a company that will continue to provide bond-like income.

Fortis's recent results were solid, with the company bringing in $284 million in net earnings, or $0.59 per share. For a company paying out a 3.5% dividend yield, the company's cash flows provide plenty of room for future dividend growth.

On this front, Fortis has been a winner, raising its dividend for nearly five decades. Over the long term, I think Fortis is one of the more stable, defensive stocks investors can pick. At 23 times earnings, Fortis stock looks cheap here relative to the options available.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) is a company with a much more attractive valuation. Indeed, this global provider of insurance and financial services is one most would put in the bargain category. With a valuation multiple of only six times earnings, Manulife is one of the cheapest companies among its peer group as well as in the overall market.

Manulife's business model is one that's also highly defensive, with relatively stable cash flows arising from its core insurance business. As long as those with insurance continue to pay their premiums, there's a lot to like about the company's 5.4% dividend yield. Additionally, from a growth standpoint, Manulife is continuing to grow in Asia — a key factor many long-term investors will want to consider.

Like Fortis, Manulife recently reported strong earnings. The company's net income attributable to shareholders came in at $3 billion in the first quarter. Overall, the company's stock price has held up relatively well, though MFC stock has sunk substantially of late. I think this recent selloff provides an intriguing entry point for this long-term holding right now.

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2. NYSE:MFC (Manulife Financial Corporation)
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