3 Top TSX Financials Stocks to Buy in October

Description

The financial sector in Canada makes up the largest slice of the TSX, which is ironic considering how much the country's economy relies on the energy sector. And like the rest of the market, the sector is going through a rough year.

The **TSX Capped Financial Index** has already fallen by about 19% from its peak, and it's still going downward. However, if October becomes the month of recovery, three top stocks in the financial sector should be on your radar.

A financial stock to buy for early recovery

When the whole sector was going down, **Definity Financial** (TSX:DFY) was going up at a powerful pace. The stock has only been around since Nov. 2021 and has mostly gone up since then. It's easy to understand for the first few months since inception, because the sector was also bullish at that time. But the stock persevered, even when the sector as a whole started falling around Feb.

42% gains in less than a year are quite decent for a financial stock, and it also comes with dividends at a 1.2% yield. It may be new stock, but the company is quite old and has been around since 1871. It's an insurance holding company with four names under its banner: home/auto insurance, pet insurance, property and casualty insurance, and an online insurance company.

A financial stock for a potentially powerful recovery

goeasy (TSX:GSY) has been a powerhouse of growth in the financial sector for at least the past one-and-a-half decades. It was one of the most rapidly growing stocks in the sector until about Sept. 2021. That's when the stock went into correction mode, following a powerful surge that pushed its value up 640% in under two years.

However, the correction has been more than "fair." The stock fell to a price just 21% above the pre-pandemic peak. Right now, it's hovering around that mark under the weight of the market and a sector that's taking its sweet time to fully recover.

Assuming when goeasy *does* recover, it will grow at its former pre-pandemic pace, which will make it a powerful growth catalyst for the portfolios of its investors. So, if there is a reasonable probability of that happening in or around October, goeasy should be on your wish list. Also, by buying it now, you can lock in a 3.3% yield for this generous aristocrat.

A financial stock to buy for its dividends

Manulife Financial (TSX:MFC) is one of the largest life insurance companies in the world. Multiple sources put it in the 10th place for the market share in the global life insurance companies. And apart from these flashy credentials and stable financials, the stock offers little in the way of growth potential — at least it hasn't since 2014.

The stock has mostly been stagnant, which is a good thing, since investors didn't suffer any losses, but they also didn't see many gains. However, it's still a good buy for its dividends. As an established aristocrat, Manulife is a coveted and dependable dividend stock. And now, when it has fallen with the rest of the sector, it also offers a compelling yield of 6%.

Foolish takeaway

Bank stocks are not the only good investments in the Canadian financial sector. The three companies above, two of which are insurance oriented, might be the best picks from the sector right now. The situation may change in the future when an actual long-term recovery is underway and other stocks start outperforming them.

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