3 High-Yield Stocks That Still Have Upside to Buy in January 2023

Description

The turbulent bear market has been dreaded by many, but for value investors who aren't planning to retire within the next five years, the seemingly hostile environment seems perfect for bargain hunting. There's a lot of value out there, depending on where you look. Undoubtedly, there are a number of value "traps" that may not be headed higher anymore soon, as recession headwinds come storming in.

In this piece, we'll look at three cheap dividend payers that could have a solid 2023. They've been uneventful. But all it takes is one truly unexpected bit of good news for this bear market to come to a soaring end. Now, nobody knows when or how the bear will end. But we do know that long-term investors will be around to see better days. That alone is enough to stay invested and look out to the longer term (think the next 15 years!).

IA Financial

IA Financial (TSX:IAG) is an intriguing insurer that doesn't get as much coverage as it Canadian peers. Undoubtedly, IA is more of a mid-cap stock ($8.4 billion market cap) than its peers. And with a modest 3.35% dividend yield, the name isn't the first choice of passive-income seekers. Regardless, I'm a big fan of management and their ability to weather a storm.

You see, insurance can be a tough place to be in a recession year. IA is a prudently managed firm that doesn't tend to get clobbered as badly as some of its peers. Indeed, IA's wealth management business has picked up steam in recent years and has helped the firm stand out in the pack. The stock trades at 10.78 times trailing price to earnings (P/E). That's pretty cheap for such a well-run mid-cap that I think it looks undervalued relative to the peer group.

Manulife Financial

Sticking with the insurers, **Manulife Financial** (TSX:MFC) is more of a go-to non-bank financial. And it's not hard to see why. The Asian growth prospects, large dividend (5.2% yield), and discount relative to peers (6.7 times trailing P/E at writing) make Manulife a very attractive name to value-hungry Canadians.

It's been a choppy and rather uneventful ride over the past five years, though. Undoubtedly, the life insurer has a lot of sensitivity to the state of the world economy. In any case, I remain a fan of MFC stock over the longer term for its more attractive growth traits. The Asian market could help propel MFC stock above and beyond its peers. Once the recession ends, I'd look for MFC stock to start outpacing its less-growthy peers.

Bank of Montreal

Bank of Montreal (TSX:BMO) isn't just another Big Six Canadian bank, it's one that's made huge strides to improve its presence (and growth prospects) in the U.S. market. Indeed, Bank of Montreal has done a sound job of prudently acquiring its way into U.S. banking over the years. Looking into the future, I expect its U.S. push will pay huge dividends, as it looks to grow further beyond its home turf.

For now, BMO stock will feel the pain of recession. Loan losses and slowed growth could linger for some time. At 6.5 times trailing P/E, with a 4.4% yield, I'd look to buy and hold the name, as it continues to fluctuate. At the end of the day, BMO is a prudently run bank that will find a way to build value for investors.

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