Time to Buy 2 Undervalued Income Stocks

**Description**

These two stocks fell during the market sell-off and are now part of the January rally. Now that investors' expectations have been reset and valuations are at historical lows, it's time to seriously consider these two finance/insurance stocks.



## Lock in these dividend payers

First is the Quebec-based financial and insurance services company, **Industrial Alliance** (TSX:IAG), which faced the same pressures as other insurers due to new business standards from the Life Insurance Capital Adequacy Test (LICAT). The change required insurers to explicitly capture insurance risks, which means more homework and due diligence that took effect in earnest last year. In the long run, this should make the insurance business more robust, but in the short term it has been bad for shareholders.

Many people, including myself, were banging the table as insurance stocks appeared undervalued. Just weeks before Industrial Alliance put in a bottom, I made a bold claim this stock would rise 50%. Despite the LICAT headwind, it looks like my bullish prediction is starting to pan out as the stock is up 15% from the December lows.

As fellow Fool contributor points out, Industrial Alliance now has an eight times price multiple … which is absurdly low. Last year was a transition year. Having run over enough speed bumps, the five rate hikes since 2017 will now act as a catalyst for Industrial Alliance. Shareholders can enjoy this ride.

Next, it's been over a year since **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) absorbed the no fee Simplii Financial personal banking. That's enough time to recognize some synergies and say goodbye to $98 million incurred in 2017 to consolidate the new service. Revenue in 2018 is showing signs of this synergy. Canadian personal and small business banking revenue increased modestly in all four quarters compared to 2017.

After reaching $100 per share, CIBC has fallen 18% from September highs. In addition to the market-wide correction, other drivers of volatility included the summertime data breach and competition from smaller mortgage lenders.

Yet the chart shows a repeat pattern from the end 2017. At that time, I was so anxious to own CIBC shares that I bought on the first sign of weakness. I learned my lesson, as exuberance produced an initial 10% loss. You cannot expect to time each investment. But CIBC is on my list of top holdings to add to.

Enough about me … if you are not going to buy CIBC shares now, under favourable valuation conditions, you likely never will. The stock price only needs to grow 5% per year to generate double-digit annual returns. How? 5+5 gives 10. At this 52-week low, the annual dividend is $5.44. Time to lock in 5% passive income from the dividend.

## Volatility from liquidity

Meanwhile, a small-cap healthcare stock **Viemed Healthcare** (TSX:VMD) is showing positive momentum, like the 8% one-day price gap up. One concerning matter is how the price swing happened on low trading volume. Who cares about trading volume as long as the stock is rising, right? Well, low liquidity is a risk. It's like climbing stairs three at a time; eventually you will be exhausted.

High liquidity is like climbing stairs one step at a time. High trading volume means smaller spreads between bid and ask prices. Let's hope this hot stock shows no sign of tiring.



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1. Bank Stocks
2. Dividend Stocks
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1. Editor's Choice

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:IAG (iA Financial Corporation Inc.)
4. TSX:VMD (Viemed Healthcare)

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bmacintosh