2 Value Stocks That Are Trading at a Major Discount Today

Description

The Canadian stock market has seen all sorts of volatility this year. The **S&P/TSX Composite Index** at one point dropped about 35% in just over one month. Today, the index is trading at roughly the same place that it began the year.

The extreme levels of volatility have been largely driven by the COVID-19 pandemic. The continuous updates on social-distancing policies and recent progress updates on potential vaccines have had huge effects on the stock market's performance over the past 11 months.

Positive vaccine news in November had led the Canadian market to surge almost 10% by mid-month. There's still a long way to go before the vaccine is actually available to Canadians, but there's much more optimism in the stock market today than there was two months ago.

Even with the positive news surrounding a vaccine, we are not seeing a surge across all industries. Many tech stocks have been on unbelievable bull runs since the market bottomed out at the end of March. Other industries, such as financial services, have struggled through most of the year.

Financial stocks are undervalued today

I've covered two financial stocks that have trailed the Canadian market's returns this year. Investing in either of these companies definitely won't be as exciting as holding shares of the hottest tech stocks on the Canadian market. But if you're a long-term investor, these two value stocks can provide stability and some of the highest dividend yields you'll find on the market.

Bank of Nova Scotia

It's no secret that the Canadian banks have not been among the top-performing stocks this year. Lowered interest rates have crushed the major bank's profits and it's not looking like it will be a quick turnaround.

Valued at a market cap of about $80 billion, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS
) is Canada's third-largest bank. The bank specializes in your everyday chequing and saving accounts,

asset management, mortgages, loans, and insurance.

Year to date, the bank is down about 10%, but prior to the start of November, it was down more than 20%. The bank went on a great run in November, but there is still a ways to go before reaching pre-COVID-19 prices.

Even after a strong November, Bank of Nova Scotia is still a solid value play. The bank trades at a very reasonable forward price-to-earnings (P/E) ratio of 11.

Not only is the bank very affordable today, but it offers up a yield of more than 5%. You'll be hard-pressed to find a value stock with this type of track record that provides a yield that high.

Manulife Financial

Canada's largest insurance provider, **Manulife Financial** (TSX:MFC)(NYSE:MFC), has not had an overly impressive year either. The $40 billion company is down almost 20% since the beginning of 2020.

Manulife Financial doesn't just provide insurance but instead offers a full range of financial services, including wealth and asset management.

The drop in performance this year has the company trading at a very cheap valuation today. The value stock is trading today at a forward P/E ratio of 7.

It might be a while before Manulife Financial is able to turn it around, but for long-term investors, this is a very opportunistic time to be loading up shares of Canada's largest insurance provider.

Similar to Bank of Nova Scotia, Manulife Financial provides a very high dividend yield. The stock pays an annual dividend of $1.12 per share, which is equal to a yield of close to 5% today.

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TICKERS GLOBAL

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:MFC (Manulife Financial Corporation)

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