



3 Oversold Blue-Chip Stocks I'd Buy With an Extra \$8,000

Description

The recent plunge in the Canadian market is giving investors an opportunity to pick up a few of the country's top companies at attractive prices.

Here's why I think investors with a bit of cash on the sidelines should consider buying **Toronto-Dominion Bank** ([TSX: TD](#))([NYSE: TD](#)), **Canadian National Railway Company** ([TSX: CNR](#))([NYSE: CNI](#)) and **TransCanada Corporation** ([TSX: TRP](#))([NYSE: TRP](#)) while they are still cheap.

Toronto-Dominion Bank

Toronto-Dominion Bank has dropped nearly 8% in the past month after the company reported weaker-than-expected earnings and warned investors that 2015 could be challenging. As Canadians continue to pile on debt, investors are worried that the earnings party could be over for the banks.

Toronto-Dominion is well positioned to ride out any trouble in the Canadian market. Its retail franchise is probably the best in the country and the company's large U.S. operation provides earnings diversity.

The rout in the oil market should turn out to be a nice gift for Toronto-Dominion. Retail customers are spending much less on gasoline and that could translate into more credit card purchases or greater savings and investments. On the corporate side, the bank's trading group should benefit from hedging activity, as companies try to lock in low energy prices and mitigate the effects of volatility in foreign currencies.

Toronto-Dominion now trades at a reasonable 12.7 times earnings and pays a 3.6% dividend.

Canadian National Railway Company

North America's most efficient rail company has benefitted from the oil boom as producers send crude by rail to bypass pipeline bottlenecks. The current plunge in oil prices has investors wondering if the easy money from the energy sector is going to disappear.

A slowdown will likely occur, especially in some of the high-cost shale plays, but rail transport of crude

should continue to grow in 2015. The Canadian Association of Petroleum Producers said in June that rail shipments were roughly 200,000 barrels per day at the end of 2013. The year-end target for 2014 is about 400,000 barrels per day and shipments are expected to hit 700,000 barrels per day by 2016.

Canadian National trades at 21 times earnings, a significant discount to **Canadian Pacific Railway Ltd.**

TransCanada Corporation

TransCanada's shares are down nearly 16% in the past three months. Investors are concerned that some of the company's expansion projects could be at risk.

At the moment, TransCanada has about \$46 billion in projects under development. The important thing for investors to note is that these assets are commercially secured by commitments from producers. Most of TransCanada's customers are the big players who are capable of riding out the current volatility in the oil market.

As prices drop, the big oil companies will simply produce more and that means higher transport revenues for TransCanada and its shareholders.

Most of TransCanada's current projects are expected to be in service by 2020. Investors should continue to see growth in both cash flow and dividends.

TransCanada trades at 22 times earnings, which is a discount to most of the other pipeline companies. The company pays a dividend of \$1.92 that yields 3.7%.

Toronto-Dominion Bank, Canadian National Railway, and TransCanada are great picks for a blue-chip portfolio, but they are all Canadian companies. With most of the Canadian market tied to either financials or commodities, you might want to add a few U.S. stocks to the watch list for 2015.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. NYSE:TRP (Tc Energy)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:TD (The Toronto-Dominion Bank)
6. TSX:TRP (TC Energy Corporation)

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