TFSA Investors: 2 Dividend Stocks to Buy on a Market Dip

Description

The stock market is due for a healthy pullback, and investors are wondering which dividend stocks should be on their radars.

Let's take a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) to see why they might be interesting picks.

BCE

Analysts are telling investors to avoid BCE because the stock is expensive and will likely take a big hit when interest rates begin to rise.

That's certainly valid, but the stock has already pulled back from the 12-month high, and any further weakness might provide a compelling opportunity for dividend investors.

Why?

BCE holds a dominant position in the Canadian telecommunications market and continues extend its grip. The company is in the process of acquiring **Manitoba Telecom Services**, recently bought out its partners in Q9 Networks, and has a distinct advantage over competitors through its growing fibre-to-the-home installations.

On top of this, BCE is investing billions to upgrade and expand the reach of its wireline and wireless networks.

When you combine all this with the media division, which includes a TV network, specialty channels, radio stations, and sports teams, you get a business that interacts with most Canadians in one form or another on a weekly, if not daily, basis.

That's a powerful business.

The company has a long track record of dividend growth, and the trend should continue in step with rising free cash flow.

At the current stock price, you already get a 4.7% yield. If the shares pull back another 7%, or roughly $4, investors will be looking at an enticing 5% yield.

TransCanada

TransCanada has been a volatile stock in the past two years, but the situation going forward looks pretty good.

The company's purchase of Columbia Pipeline Group in 2016 added strategic gas assets in the growing Marcellus and Utica shale plays as well as significant new natural gas pipeline infrastructure.

President Trump appears to be open to the idea of getting the company's Keystone XL project built, and while that is being sorted out, TransCanada still has $25 billion in near-term projects under development.

As these new assets are completed and go into service, TransCanada expects to see cash flow improve enough to support annual dividend growth of at least 8% through 2020.

The stock has pulled back a bit in recent days after a decision by Canada's energy regulator, the NEB, to restart the hearings process for TransCanada's $15.7 billion Energy East pipeline.

Weakness in the broader energy sector as well as concerns over possible demands President Trump might put on Keystone could extend the slide.

If that turns out to be the case, investors with a buy-and hold strategy should view the pullback as an opportunity to pick up the stock.

TransCanada's dividend currently yields 3.7%.

Is one more attractive?

Both stocks are solid buy-and-hold picks for dividend investors. At this point, I would call it a coin toss between the two names.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:BCE (BCE Inc.)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Investing

Date
2025/09/12
Date Created
2017/01/31
Author
aswalker