TSX Composite Index Dips Below 15,000: Which Stocks Should You Buy?

Description

The **S&P/TSX Composite Index** (TSX:^OSPTX) just hit its lowest point for 2017 amid ongoing weakness in the energy sector, fears about a housing meltdown, and general malaise connected to political uncertainty in the United States.

The move back below the 15,000 mark could signal the beginning of an extended slide. That wouldn't be much of a surprise, considering the market is still up more that 20% over the past five years.

Investors should welcome the pullback, as volatility tends to present great opportunities to pick up top stocks that might be getting oversold.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) to see if they are interesting picks today.

Enbridge

Enbridge closed its $37 billion purchase of Spectra Energy earlier this year in a deal that created North America's largest energy infrastructure company.

Spectra added important natural gas assets as well as a nice contribution to the development portfolio. In the latest earnings report, Enbridge said it has $31 billion in commercially secured capital projects on the go that should be completed in the medium term.

As the new assets begin to generate revenue, Enbridge says it should see cash flow grow enough to support annual dividend hikes of at least 10% per year through 2024.

The stock is down more than 10% in 2017 amid the broader sell-off in the energy sector. At the time of writing, investors who buy the stock can pick up a 4.95% yield.

Bank of Nova Scotia

Investors often ignore Bank of Nova Scotia when searching for a financial stock to add to their portfolios, but that might be a mistake.

The bank has invested heavily in its international business, with a strong focus on Mexico, Colombia, Peru, and Chile. These four countries represent the core of the Pacific Alliance, which is a trade bloc set up to promote the free movement of goods and capital among the member states.

As the middle class grows, demand for loans and investment products increases, and Bank of Nova Scotia is positioned well to benefit. Combined, the four countries offer a consumer market of more than 200 million people.

The international operations are doing well and now represent nearly 30% of Bank of Nova Scotia's profits. That's a nice hedge against any weakness that could be on the way in the Canadian market.

Fears about a housing meltdown appear to be overdone, especially when it comes to the impact a pullback will have on the banks. Insured mortgages represent 54% of Bank of Nova Scotia's housing portfolio, and the loan-to-value ratio on the rest is 51%. This means house prices would have to fall significantly before the bank takes a meaningful hit.

Bank of Nova Scotia is down 6% in the past six months. The dividend provides a yield of 4%.

The bottom line

Buy-and-hold investors should welcome pullbacks as opportunities to pick up top-quality dividend stocks. If you have some money sitting on the sidelines, Enbridge and Bank of Nova Scotia deserve to be on your radar.

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