TFSA Investors: 2 Unloved Dividend Kings to Buy Today

Description

Canadian yield seekers are finally getting a chance to pick up some of the country's top dividend stocks at attractive prices.

Let's take a look at **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) to see why they might be interesting picks.

TransCanada

TransCanada traded for $64 per share as recently as November 2017. Today, investors can pick the stock up for about $56, and that's after a nice bounce off the February low.

The company is being punished along with the broader energy infrastructure sector amid fears connected to rising interest rates. The utility and pipeline stocks have enjoyed popularity in recent years as go-to options for yield seekers in an era of falling rates. Now that interest rates are on the rise, some pundits think money will flow out of dividend stocks and into fixed-income alternatives.

The concerns have merit to a degree, but the sell-off in anticipation of a massive shift of funds from dividend stocks into risk-free options, such as GICs, might be getting out of hand.

TransCanada reported solid Q4 and full-year 2017 numbers and has a rather positive outlook. The company is working its way through $24 billion in near-term projects that should be completed through 2021. As the new assets go into service, management expects cash flow to improve enough to support annual dividend increases of at least 8%.

Longer term, TransCanada has an additional $20 billion in development opportunities under consideration. If some or all of those projects get the green light, investors could see an upward revision to the dividend-growth guidance.

TransCanada currently provides a yield of 4.9%.

CIBC

At $117 per share, CIBC isn't as cheap as it was back in September, but the stock still appears attractive today, even after the rally.

Why?

CIBC currently trades for less than 11 times trailing earnings, which is significantly less than the price investors are paying for its larger Canadian peers.

The market sees CIBC as being a riskier stock due to its heavy exposure to the Canadian housing market. It's true that a total meltdown in house prices would likely hit CIBC harder than the other banks, but most analysts predict a gradual pullback, and CIBC's mortgage portfolio can handle a downturn.

Over the past year, management made a number of acquisitions in the United States to help diversify the revenue stream, and that process could continue. At some point, the market might finally cut CIBC a break and start to give it a higher valuation.

CIBC has a strong track record of dividend growth and continues to generate solid earnings. At the time of writing, the stock provides a yield of 4.5%.

Is one more attractive?

Both stocks should continue to be solid buy-and-hold picks for a dividend-focused portfolio.

At this point, TransCanada likely offers better dividend-growth in the near term, and investors could see the stock return to the 2017 high on any good news connected to the long-term growth opportunities. As such, I would probably go with the energy infrastructure company as the first choice today.

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