3 Oversold Canadian TSX Index Giants for Your TFSA Today

Description

The pullback in the TSX Index over the past few weeks is giving TFSA investors an opportunity to pick up some of Canada's best stocks at reasonable, or even dirt-cheap, prices.

Income investors can now lock in attractive yield from top-quality dividend payers and those who are setting cash aside for their retirement can add top buy-and-hold industry leaders that should deliver solid returns over the next few decades.

Let's take a look at three market leaders that deserve to be on your radar right now.

Royal Bank (TSX:RY)(NYSE:RY)

Royal Bank's stock price is down from its 2018 high of $108 to just under $94 per share. The stock was arguably getting a bit expensive at the top, but the current trailing 12-month price-to-earnings ratio of 11.7 is reasonable.

The company expects to generate annual earnings-per-share growth of 7-10% over the medium term. This should easily support ongoing dividend increases in the same range and provide a nice tailwind for stock price appreciation.

Fears about a meltdown in the Canadian housing market are probably overblown, and Royal Bank's U.S. operations should see margins improve as interest rates rise. Lower taxes south of the border should also be positive.

Royal Bank's dividend provides a yield of 4.2%.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CN is already starting to recover from the latest dip. The stock is back up to $110 per share from $105 just a few days ago, but is still off the high of $118 it hit in early October.

The Canadian and U.S. economies remain healthy, and that should continue, as long as interest rate hikes don't derail the party. A recession will arrive at some point, but CN makes good money, even when there is an economic slowdown, and the company generates carloads of free cash flow to support steady dividend growth.

The oil bottlenecks in Canada bode well for demand to transport oil by rail. In addition, CN's extensive operations in the United States help offset any weakness in Canada and can provide a nice boost to earnings when the American dollar rises against the loonie.

CN raised its dividend by 10% this year and is spending a record $3.5 billion on upgrades, new locomotives, and additional car capacity.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge has fallen out of favour in recent years, but a transition program is well underway, and investors might not be appreciating the progress management is making to turn the company around. Enbridge has taken the necessary steps to streamline and simplify the corporate structure and is selling non-core assets to pay down debt faster than anticipated.

The company continues to work through a large portfolio of capital projects that should boost cash flow and drive ongoing dividend growth. The stock is down below $40 from $50 per share at this time last year. The existing dividend provides a yield of 6.8%.

The bottom line

Royal Bank, CN, and Enbridge might see additional near-term downside, but the three stocks are starting to look oversold and should be solid buy-and-hold picks for a TFSA portfolio.

Other top picks are also worth considering today.

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