



## 3 Top TSX Index Stocks to Buy for Your TFSA on a Market Dip

### Description

The TSX Index holds top stocks from a variety of sectors, so when the general market goes through a pullback, investors often get a chance to buy some of Canada's best companies at attractive prices.

Let's take a look at three stocks that might be interesting [TFSA picks](#) today.

### Power Financial (TSX:PWF)

A year ago, Power Financial traded for \$36 per share. Today, investors can pick it up for about \$28 and secure a dividend yield of 6%.

Power Financial is a holding company with interests in a number of Canadian insurance and wealth management businesses. It also owns a position in a European firm, but the contribution to net earnings from that investment is very small.

The Q3 2018 results came in quite strong. Adjusted net earnings for the quarter were \$578 million, or \$0.81 per share, compared to \$465 million, or \$0.65 per share, in the same period last year, supported by strong results in the insurance and wealth management subsidiaries. As interest rates rise, the insurance businesses should benefit from higher returns on cash they set aside to cover potential claims.

Power Financial raised its dividend earlier this year and another increase should be on the way in 2019.

### Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#))

CN traded for close to \$118 per share in July. Investors can pick it up today for about \$112. That doesn't seem like a big discount, and it isn't, but this stock rarely goes on sale, and trying to time a bottom on any dip tends to result in lost upside opportunities.

Five years ago, the stock traded at \$60. When you take all the stock splits into consideration, an

investor who'd bought CN 20 years ago only paid \$7 per share.

The company plays a key role in the economy, moving goods from coast to coast across Canada and right through the centre of the United States. Management continues to invest in new engines, rail cars and infrastructure upgrades to ensure the business operates as efficiently as possible.

CN reported adjusted net income of \$1.1 billion in Q3 2018, representing a gain of 11% over the same period last year. The company has a strong track record of dividend growth, and that should continue, supported by the generation of significant free cash flow.

## Royal Bank ([TSX:RY](#))([NYSE:RY](#))

Royal Bank trades for \$94.50 compared to \$108 earlier this year. The company was arguably overbought at that point, but the pullback has gotten to the point where Royal Bank is starting to look attractive.

At the current price, the stock trades at 12.5 times trailing earnings and about 10.5 times what analysts generally think the bank will earn in the next year. Investors with a buy-and-hold strategy should feel comfortable at today's valuation and can pick up a solid 4.2% [yield](#) while they wait for sentiment to turn.

The Canadian housing market is holding up quite well, despite a sharp increase in mortgage rates over the past 24 months. Higher rates will put some homeowners in a bad situation in the next few years, but the overall impact of rising interest rates for Royal Bank and its peers should be positive.

Medium-term earnings growth is expected to be 7-10% per year and the dividend will likely rise in step.

### The bottom line

Power Financial, CN, and Royal Bank should all be solid long-term picks for a TFSA portfolio. More downside could certainly be on the way, but the recent pullbacks are making these stocks appear reasonably priced, especially given the strength of their businesses.

Other stocks are also starting to look like solid buys for 2019 and the years to come.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
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### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)

3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

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