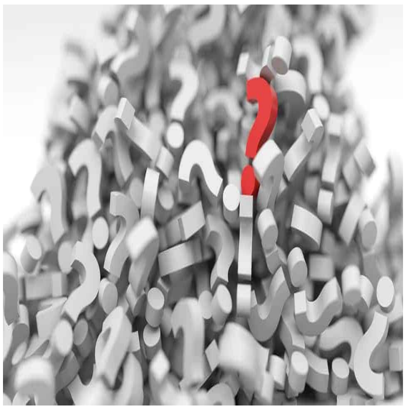

RRSP Investors: Should You Buy Toronto-Dominion Bank (TSX:TD) or Nutrien Ltd. (TSX:NTR) Stock Today?

Description

The pullback in the equity markets is giving investors a chance to pick up some top quality Canadian stocks at reasonable prices.

Let's take a look at two top TSX Index stocks that might be attractive buys right now.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD is down to $70.50 per share from the 2018 high near $80 it hit in September. That's a big move for the bank in such a short period of time, and while the share price might have been a bit stretched at the peak, the sell-off is bringing the multiple down to a reasonable entry point.

TD has a strong retail business in Canada and the United States. The American operations account for more than 30% of earnings, and that provides a nice hedge against trouble in the Canadian economy. Rising interest rates might force some Canadian homeowners to sell their properties, but early indications suggest the market is adjusting to the jump in mortgage rates over the past year. In the event house prices fall, TD is capable of riding out a downturn.

The company expects to generate earnings-per-share growth of 7-10% over the medium term. That should support ongoing dividend increases. TD raised the payout by close to 12% in 2018 and has a long track record of double-digit annual distribution hikes.

At a multiple of 10.4 times forward earnings, TD looks cheap today and investors who buy now can pick up a solid 3.8% yield.

Nutrien (TSX:NTR)(NYSE:NTR)

Nutrien was formed through the merger of Potash Corp. and Agrium at the beginning of 2018. The company is a giant in the global crop nutrients market, providing fertilizer to governments and farmers around the globe. Nutrien also has a large and growing retail business that sells seed and crop-protection products.

Fertilizer prices are finally moving higher after a multi-year rout that drove Potash Corp. and Agrium together. Spot prices for potash and nitrogen are strengthening in important international markets, and Nutrien signed new wholesale agreements with India and China at higher prices than the previous contracts. There is still a long way to go before prices get back to their historic highs, but Nutrien is already making good money.

The company raised guidance for its full-year 2018 results and is well ahead of its expected efficiency gains originally outlined ahead of the merger. Annual run-rate synergies hit US$400 million in Q3 2018 and are expected to reach US$600 million by the end of 2019. The initial estimates called for synergies of US$300 million.

Nutrien pays a quarterly dividend of US$0.40 per share. Investors should see a nice boost to the distribution in 2019 and steady increases in the years to come. The current payout provides a yield of 3.4%.

The stock is down from its 2018 high of $76 to below $68 per share. With the improved pricing and cost gains, the market might not be appreciating the potential free cash flow this company could generate in 2019 and beyond.

Is one a better bet?

TD and Nutrien both appear oversold right now and should be solid buy-and-hold picks for a self-directed RRSP portfolio. I would probably split a new investment between the two companies today.

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1. Investing

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1. Editor's Choice

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