TFSA Investors: 3 Top TSX Stocks in the Bargain Bin Today

Description

The pullback in a number of the top stocks in the TSX Index is giving TFSA investors an opportunity to pick up great companies at reasonable prices.

Let's take a look at three stocks that might be interesting buys right now for a TFSA portfolio.

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

Royal Bank earns about $1 billion in profits every month. That's pretty good money, and the strong results are expected to continue amid healthy economic conditions in Canada and the United States. Rising interest rates are also helping the bottom line.

Unemployment is down to lows not seen in decades. That's good for banks because it means most people are generating enough income to pay their mortgages and buy new cars. Some also have a few dollars left over to invest. On the commercial side, businesses are also doing well.

Royal Bank is investing in new technology to ensure it remains competitive in the rapidly changing financial services market. Digital competitors pose a threat, but the banks have long-standing relationships with their customers, and trust remains an important part of the banking industry.

Rising interest rates might put some homeowner under pressure, but the impact on net interest margins is positive and should outweigh any downside on the housing loans. Tax cuts in the United States have helped Royal Bank's U.S. business.

The stock is now down to the point where it trades at an attractive earnings multiple, and investors can pick up a dividend yield of 4.2% with steady increases to the distribution expected in the coming year.

Suncor (TSX:SU)(NYSE:SU)

Suncor is Canada's largest integrated energy company with production, refining, and retail assets that combine to create a powerful business all along the hydrocarbon value chain.

A strong balance sheet allowed Suncor to make strategic acquisitions during the downturn while pushing ahead with large development projects. Those decisions are now paying off, and investors are set to reap the benefits. Suncor generated record Q3 funds from operations of $3.1 billion and net earnings of $1.8 billion in the third quarter of 2018.

The company just increased its share buyback program and investors should see a big hike in the dividend in 2019. The company raised the payout by 12.5% this year.

The stock is down to $44 from $55 in the summer amid the recent pullback in oil prices. The oil market could stage a nice recovery in 2019 on the back of supply concerns, which would likely push Suncor back to the 2018 high. In the meantime, investors can pick up a solid 3.25% yield.

BCE (TSX:BCE)(NYSE:BCE)

BCE went on a nasty slide through most of 2018, falling from a high near $62 last fall to below $51 at the end of October. In recent weeks, however, bargain hunters have returned and the stock has bounced back above $55 per share.

The company continues to invest in state-of-the-art wireless and wireline networks to secure its leadership position in the Canadian communications market. The acquisitions of Manitoba Telecom Services and AlarmForce added important new customers in Manitoba and gave BCE another portfolio of security products and services to bundle with its mobile, Internet, and TV offerings.

The company generates solid free cash flow and should continue to increase the dividend at a steady pace. The current payout provides a yield of 5.4%.

The bottom line

Royal Bank, Suncor, and BCE are all top TSX Index stocks that appear oversold today and should be solid buy-and-hold picks for a TFSA portfolio.

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