

## 3 Top TSX Index Stocks to Buy in a Market Correction

### Description

The pullback in the broader market has hit a number of Canada's [top companies](#), and while some stocks could continue to see weakness in the near term, investors with an eye for long-term holdings might want to start nibbling on a few quality names.

Let's take a look at three Canadian stocks that appear oversold today and might be attractive picks for your 2019 portfolio.

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

Royal bank just reported record net income for fiscal 2018. The company generated \$12.4 billion in profits for the year, representing a gain of \$962 million, or 8% compared to 2017.

Numbers this big can make your head spin, and investors might wonder how a company that is so large can continue to grow.

Royal Bank has strong operations across a number of segments, including personal and commercial banking, capital markets, wealth management, investor and treasury services, and insurance.

The company raised the dividend twice in 2018 for a total annualized increase of 8%. Management is targeting earnings growth of 7-10% over the medium term, so the dividend growth rate should continue. The current payout provides a [yield](#) of 4%.

Royal Bank is well capitalized with a CET1 ratio of 11.5%. Concerns over a major housing crash across Canada appear to be fading and Royal Bank's mortgage portfolio, while large, is capable of riding out a downturn.

The stock is down from \$108 per share earlier this year to \$96. This puts the price-to-earnings multiple at a reasonable 11.5 based on the past year's results.

Lower taxes and rising interest rates in the United States provided a nice boost to income from the American operations and the positive results are expected to continue.

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

CN reported Q3 2018 net income of \$1.13 billion, representing a gain of 18% compared to the same period last year. Diluted earnings per share jumped 21% and total revenue rose 14% to \$3.7 billion.

Free cash flow for the first nine months of the year came in at \$1.9 billion. That's pretty good considering the company is investing \$3.5 billion in new rail cars, extra locomotives, and network upgrades in 2018.

CN raised the dividend by 10% in 2018 and investors should see another big increase in 2019. Over

the past two decades the compound annual dividend growth rate is about 16%.

The Canadian and U.S. economies are doing well and CN should see its oil-by-rail business continue to expand as Alberta struggles with ongoing pipeline capacity shortages.

The stock is down from a 2018 high of \$118 to \$108 per share. Historically, any meaningful pullback in CN's share price has proven to be a solid long-term buying opportunity.

### **Suncor** ([TSX:SU](#)) ([NYSE:SU](#))

Suncor is a giant in the Canadian energy sector with oil sands, offshore oil, refining and retail operations that cover the full spectrum of the value chain.

The company is able to generate strong results when oil prices fall due to the downstream businesses. The refineries can buy low-cost Canadian oil at then sell the refined products based on higher WTI or Brent prices. In addition, Suncor has favourable pipeline access and oil-by-rail agreements to ensure the majority of its production reaches the U.S. Gulf coast where it commands better prices than in Canada.

Suncor has a strong balance sheet and can take advantage of downturns to add strategic assets at attractive prices.

The company recently increased its share buyback program and investors should see a large dividend increase next year. The company raised the distribution by 12.5% in 2018.

The stock is down to \$42 from a 2018 high near \$55. At the current price the dividend offers a 3.4% yield.

### **The bottom line**

Market pullbacks normally prove to be good opportunities for investors to pick up top-quality companies at reasonable, if not oversold, prices.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

### **TICKERS GLOBAL**

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:RY (Royal Bank of Canada)
6. TSX:SU (Suncor Energy Inc.)

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