2 Top Oversold Stocks to Consider for Your TFSA Right Now

Description

The pullback in the Canadian stock market is finally giving TFSA investors an opportunity to buy top-quality TSX Index stocks at reasonable prices.

The recent correction could certainly continue in the coming weeks, but buy-and-hold investors know that market dips have historically proven to be solid opportunities to add good companies to their portfolio.

Let's take a look at two beaten-up Canadian giants that might be interesting picks today.

Nutrien (TSX:NTR)(NYSE:NTR)

Nutrien trades for roughly $68 per share compared to its 2018 closing high of $76 back in early August.

The company is a relatively new name on the TSX Index, but its predecessors, Agrium and Potash Corp., are well known to investors. The two companies merged as a result of an extended slump in fertilizer prices and a need to build scale to compete in the industry in the coming decades.

Nutrien is now the world's largest crop nutrients producer, selling potash, nitrogen, and phosphate to countries and farmers around the world. Canpotex, which is Nutrien's marketing company that negotiates wholesale deals with countries, signed new potash supply contracts with China and India at higher prices this year.

This bodes well for the recent upward trend in crop nutrients pricing, and the potential upside for Nutrien investors could be significant if the market continues to improve.

Both Potash and Agrium completed major multi-year capital programs before the merger. As a result, Nutrien has upgraded production facilities that are capable of meeting rising global demand at low costs. Given the nature of the commodity sector, higher prices can generate significant free cash flow, and the market might not be appreciating the opportunity.

Nutrien raised guidance in 2018 and investors should see a nice dividend increase next year. The current payout provides a yield of 3.3%.

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

TD trades for $70 per share. In September, investors paid close to $80 to buy the stock. The 12.5% drop in such a short period of time appears overdone, especially given the ongoing strength of the business.

TD reported strong fiscal Q4 2018 results. Adjusted net income topped $3 billion, compared to $2.6 billion in the same quarter last year.

The U.S. operations, which contribute more than 30% of the profits, had the best performance. Rising interest rates in the United States are having a positive impact on the bank's net interest margins, and while the pace of rate hikes could slow down next year, the upward trend is expected to continue.

Lower tax rates in the U.S. also helped the bottom line. Overall, the U.S. group provides a nice hedge against any potential trouble in the Canadian economy.

Fears about Alberta's oil-price woes and a country-wide housing bubble are part of the reason the Canadian banks are under pressure. TD has very little exposure to the Canadian energy sector and its mortgage portfolio is capable of riding out a downturn in house prices, so the medium term outlook should be solid.

Management is targeting earnings growth in the range of 7-10% per year, which should support ongoing dividend increases. The current payout offers a yield of 3.8%.

The bottom line

Nutrien and TD appear attractively priced right now and should be solid buy-and-hold picks for a TFSA portfolio.

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2. NYSE:TD (The Toronto-Dominion Bank)
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