Retirees: 2 Top Dividend Stocks on the TSX Index to Own in 2019

Description

Canadian pensioners are constantly searching for reasonably priced dividend stocks to add to their TFSA income portfolios. The pullback in the Canadian market is finally providing some interesting buying opportunities as we head into 2019.

Let's take a look at two TSX Index stocks that might be interesting picks right now.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge was a $65 stock in 2015. Today investors can pick it up for $41.50 per share.

The company embarked on a turnaround program late last year that outlined aggressive plans to shore up the balance sheet and simplify the company structure. Management has made good progress and the market might not be appreciating how much has changed.

Enbridge has announced non-core asset sales of close to $8 billion as part of its initiative to focus on its regulated businesses. The original target was to sell $3 billon in assets this year, so the company is ahead of the guidance.

In addition, Enbridge negotiated deals to bring four of its sponsored vehicle subsidiaries under the umbrella of the parent company. This simplifies the corporate structure and should result in greater retained cash flow.

The company has a strong track record of dividend growth and that trend is expected to continue. Management just announced a 10% increase for 2019.

The new quarterly payout of $0.738 per share provides an annualized yield of 7% at the current stock price.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

Investors often skip CIBC when searching for a bank stock to add to their portfolios.

The baby of the Big Five Canadian banks has a history of making some large blunders, including the billions in write downs the bank had to take due to bad bets on subprime loans in the United States leading up to the Great Recession.

In recent years, CIBC shifted its efforts to the Canadian market, which has been profitable, but analysts are wondering whether it has become too exposed to Canada.

Management is taking steps to diversify the revenue stream and spent US$5 billion last year to buy Chicago-based PrivateBancorp. More U.S. deals, especially in the wealth management space, could be on the way in the coming years.

CIBC still has higher exposure to the Canadian housing market than its peers, so a meltdown in house prices wouldn't be good. At this point, the market appears to be holding up well after a series of rate hikes, and most pundits seem to think a soft landing is the more likely outcome.

The stock is down to the point where it trades at 1.4 times book value compared to the five-year average of 2.0 times book. The forward price-to-earnings multiple is at 9.1 compared to 10.8 over the last five years.

With unemployment in Canada and the United States at lows not seen in four decades, the pullback in CIBC's stock price appears overdone.

The current dividend provides a yield of 5%.

The bottom line

Enbridge and CIBC pay attractive dividends that should continue to grow at a steady rate. Both stocks are starting to look oversold and should see a nice recovery when market sentiment shifts.

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