TFSA Investors: 2 Oversold TSX Index Stocks to Own for Decades

Description

The correction in the TSX Index is finally giving buy-and-hold investors an opportunity to pick up some of Canada's top companies at attractive prices.

Let's take a look at two industry leaders that might be interesting picks for a TFSA portfolio today.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CN transports more than $250 billion worth of goods across Canada and throughout the United States every year. The rail network is the only one in the industry that connects ports on three coasts and covers nearly 20,000 route-miles.

The company is investing $3.5 billion in 2018 on network upgrades, new locomotives, and additional rail cars to endure it remains competitive and meets the growing needs of its customers. At the same time, CN continues to generate significant free cash flow and is generous when returning to shareholders. The company is buying back up to 5.5 million shares under the current normal course issuer bid, raising the divided by 10% this year. CN has a compound annual dividend growth rate of 16% over the past 22 years.

The stock is down from $118 per share in early October to $101. That's still $10 per share above the 12-month low, and more downside could be on the way, but the stock is starting to look oversold.

Long-term investors know that dips tend to be great entrance points for this stock. A $10,000 investment in CN just 20 years ago would be worth more than $200,000 today with the dividends reinvested.

Nutrien (TSX:NTR)(NYSE:NTR)

Nutrien is a relatively new name on the TSX Index, but the companies that merged to form the fertilizer giant are very familiar to investors. A multi-year slump in crop nutrient prices brought Potash Corp. and Agrium together last year, and Nutrien began trading as the newly formed entity at the beginning of 2018. The combined company is the industry's largest crop nutrients producer with a global retail business that sells seed and crop protection products to farmers worldwide.

Potash sales are expected to hit a record in 2018 and prices appear to have bottomed out, which bodes well for Nutrien and its shareholders. The company raised guidance on its 2018 full-year earnings and sees a strong start to 2019. Management just raised the dividend and more increases should be on the way.

The planet has more mouths to feed every year and available land for producing crops continues to shrink amid rapid urban sprawl. As a result, demand for Nutrien's products should be steady for decades.

The stock is down from $75 in early November to $61 per share. That puts the dividend yield at a solid 3.7%. If you want a stock to buy and sit on for the next 30 years, Nutrien deserves to be on your radar.

The bottom line

CN and Nutrien are generating strong results and should be solid picks for a buy-and-hold TFSA portfolio. More volatility could be on the way, but these two stocks are starting to look oversold.

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