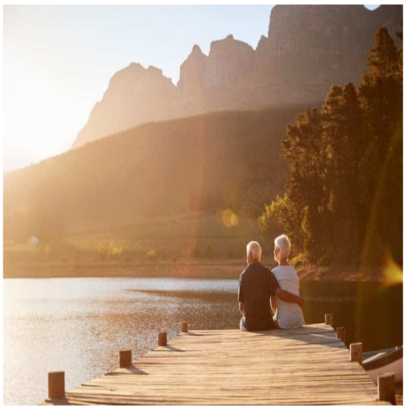

TFSA Investors: 2 Cheap TSX Index Giants to Kickstart a Retirement Fund

Description

The pullback in the TSX Index has given investors an opportunity to finally buy some of Canada's top companies at attractive prices.

With an additional $6,000 in TFSA contribution room added in 2019, Canadian residents who were at least 18 years old in 2009 have as much as $63,500 in space to invest in top stocks. All of the dividends are tax-free, and any capital gains that are generated when you sell are also yours to keep.

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

Suncor Energy (TSX:SU)(NYSE:SU)

Suncor traded for $55 per share in July 2018. Investors can pick the stock up today for about $40, which is already up from the recent low near $35.

An uptick in oil prices is bringing interest back into the energy sector and Suncor is set to benefit. The company is in an enviable situation in the Canadian energy patch due to its favourable access to pipeline and rail capacity. Suncor is able to get most of its oil to the U.S. where it receives higher prices.

At the same time, the company's refining operations can take advantage of lower-priced Western Canadian Select oil to use when producing gasoline, jet fuel, diesel, or asphalt. These products are sold based on the WTI or Brent oil benchmark prices, which means Suncor can generate solid margins when the differential is favourable.

Suncor just announced record production for Q4 2018 and strong utilization at its refining operations. Lower oil prices in the quarter will likely hit margins on the production side, but that could be offset by the 12% jump in output compared to the third quarter.

The company has a solid balance sheet and rewards investors through steady dividend increases. A generous payout increase should be on the way in 2019 and investors who buy now can pick up a 3.6% yield.

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

Higher interest rates and reduced taxes in the United States have provided a nice boost to TD's bottom line in the past year, and the strong results south of the border should continue. TD operates more branches in the United States than it does in Canada and the American operations currently account for more than 30% of profits.

The Bank of Canada appears to be shifting its rate-hike program into neutral, which should be good news for the Canadian housing market. Fears that homeowners might start to default have put pressure on Canadian bank stocks, but the likely outcome for the perceived housing bubble is a gradual softening of prices.

TD continues to anticipate steady earnings growth over the medium term, which should support ongoing dividend increases. The current payout provides a yield of 3.9%.

TD trades at $68 per share, compared to nearly $80 just a few months ago. The stock looks cheap and should be a solid TFSA pick right now.

Is one more attractive?

Suncor and TD are leaders in their respective markets with the firepower to expand when strategic opportunities arise. Both stocks appear oversold today, so I would probably split a new TFSA investment between the two names.

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