



Should Enbridge Inc. (TSX:ENB) or Toronto-Dominion Bank (TSX:TD) Stock Be on Your TFSA Buy List?

Description

Canadian investors have an extra \$6,000 in TFSA contribution room in 2019, and the drop in the TSX Index in recent months has served up a wide variety of top dividend stocks that appear reasonably priced right now.

Let's take a look at **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) to see if one deserves to be on your [TFSA buy list](#) today.

TD

TD traded for about \$80 per share in September. Today, investors can buy the stock for \$69. That's a pretty steep cut in such a short period of time, especially for a company that continues to generate solid results.

TD reported fiscal Q4 earnings of about \$3 billion. That's correct, the big, green cash machine pulls in a cool billion in profit every month. Much of the good news is coming out of the United States, where TD has built a major presence over the past dozen years. In fact, the bank operates more branches south of the border than it does in Canada.

Tax cuts in the U.S. have helped. In addition, rising interest rates in both countries have provided a nice boost to net interest margins. This is the spread between the rate the bank pays on deposits and the rate it collects by lending the money to other people or companies.

Management is calling for earnings growth of 7-10% per year over the medium term. That's likely conservative, based on recent history. The dividend should continue to rise at a steady rate, and investors who buy today can pick up a 3.9% [yield](#).

Enbridge

Enbridge was a \$65 stock in 2015. Investors had a chance to buy it as low as \$38 last May. Today, the share price is back above \$46, and more gains should be on the way.

What's the scoop?

Enbridge had a transformational 2018 that saw the company streamline its business structure and unload nearly 80% of its targeted \$10 billion in non-core assets.

As a result, Enbridge is winning back investor confidence with a healthier balance sheet and ongoing dividend growth supported by its \$22 billion capital program. The company raised the dividend by 10% for 2019 and anticipates a similar hike next year.

The stock isn't as cheap as it was last spring, but investors who buy today can still pick up a yield of 6.4%.

Is one more attractive?

TD and Enbridge should both be solid buy-and-hold picks for a dividend-focused TFSA. At this point, however, TD appears heavily oversold, so I would probably make the bank the first choice.

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