Is Royal Bank of Canada (TSX:RY) or Fortis Inc. (TSX:FTS) Stock a Better TFSA Pick Today?

Description

Bargain hunters are starting to push up the share price of a number of top Canadian stocks, and investors are wondering which companies might continue to move higher through the rest of 2019.

Let's take a look at two stocks that might be interesting picks for your TFSA portfolio right now.

Royal Bank of Canada (TSX:RY)(NYSE:RY)

Royal Bank generated fiscal 2018 profits of more than $12 billion and the good times are expected to continue in 2019. The company is a dominant force in the banking sector, but it knows that times are changing in the way people interact with their financial institutions. As a result, Royal Bank is investing heavily in its digital capabilities, and the investments are paying off with growing numbers of clients interacting with the bank through digital channels.

The bank has a balanced revenue stream coming from personal and commercial banking, wealth management, insurance, and capital markets activities. The US$5 billion acquisition of City National gave the company a strong presence in the U.S. commercial and private banking segment and that could lead to additional deals down the road.

The stock took a big hit in 2018 amid the broad-based pullback in the financial sector. Fear about an impending global economic slowdown triggered by a trade war between China and the United States likely contributed to the shift of funds out of the banks, but it appears the concern might have been overdone.

Royal Bank bottomed out near $90 on December 24. Since then, the stock has recovered to $98 per share, but that is still below the $108 top it hit last year.

Earnings are expected to grow at 7-10% per year over the medium term, and that should support ongoing dividend growth in the same range.

At the time of writing, investors can pick up a 4% yield.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis isn't the most exciting business in the market, but TFSA investors looking to own a quality dividend stock for decades are probably not concerned about the company's entertainment value.

Fortis owns natural gas distribution, power generation, and electric transmission assets primarily located in Canada and the United States. Most of the revenue comes from regulated businesses, providing important stability to cash flow, which is key for dividend support.

Growth has historically come through acquisitions and organic projects. The company is currently working through a $17 billion capital program that should boost cash flow enough to drive dividend increases of about 6% per year through 2023.

The current payout provides a yield of 3.9%.

Fortis is up from $41 in October to $45.70 per share, and investors could soon see it reach the 2018 high around $47.

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