2 Bountiful Income Stocks I'd Buy Right Now for My TFSA

Description

Thus far, 2019 has been very kind to investors, and although the markets may seem lacking in value opportunities, I believe they're still abundant — especially for those willing to put in the effort to uncover the cheap but bountiful plays.

Make no mistake. The markets still aren't what you'd consider expensive, even after the S&P 500's double-digit percentage pop over the past month, as we've barely recovered ground lost during the October-December market crash (if you can really call it that!) driven primarily by an overly hawkish Fed that's since turned into a dove.

If you'd bought shares when the markets flirted with bear market territory, you made a quick killing. But if you missed out, don't fret, as there are a few beauties out there that may experience a lagged rally.

Without further ado, consider the following two cheap income stocks, and full disclosure: I already own an existing position in both names in my personal TFSA.

Canadian Tire (TSX:CTC.A)

It may surprise you to see Canadian Tire on this list, as it wasn't exactly what you'd call a bountiful dividend stock a few years ago. Today, the stock's dividend yield has swelled to 3% thanks to the 22% depression in shares and the huge dividend hikes that have been granted by management.

Canadian Tire is an iconic Canadian retailer that needs no introduction. While the company sells a variety of products that could more easily be purchased online, management is doubling down on where its strengths lie: brick-and-mortar retail.

You see, not everything was destined to be sold online. Hardware, sports goods, bulky items like dog food, patio furniture, lawn gnomes, and car tires aren't items that are economical for digital retailers to sell if they desire to make a profit.

With that in mind, Canadian Tire is a brick-and-mortar company that was bred to survive the ecommerce disruption. Add management's focus on loyalty and building upon its exclusive offerings into the equation, and you've got a formula for a company that's fighting back against the digital competitors that investors unwarrantedly fear.

At 10.7 times forward earnings, Canadian Tire shares are nothing short of a gift.

Shaw Communications (TSX:SJR.B)(NYSE:SJR)

Shaw is probably one of the most underrated telecoms, not only in Canada but North America. The company, which rid itself of its media business a few years ago, is betting big on its wireless network with Freedom Mobile, and it's doing so aggressively.

Meanwhile, the company is also rolling out its upgraded wireline across various Canadian hot spots, putting itself in direct competition with some of the incumbents in the Big Three.

There are two ways to look at Shaw: it's a wannabe that's trying to dethrone the superior Big Three telecoms or a massive disruptor that could dismantle the triopoly that is the Big Three. As an owner of Shaw shares, I clearly think of it as a company in the latter category.

Although Shaw's wireless network Freedom Mobile and wireline infrastructure are still arguably inferior to that of some competitors, I see the current situation as a glass-half-full scenario. Shaw is making efforts to undercut the competition on pricing, and that's causing the effected Big Three incumbents to respond accordingly to reach a new state of Nash equilibrium.

Freedom Mobile is one of the cheaper Canadian wireless carriers out there, and that's because of the rather spotty network, which, while vastly inferior to the competition, is still improving regularly. Also, Shaw recently gifted its Internet 150 and 300 customers with a free doubling of their speeds to 300 and 600, respectively. That's a heck of an upgrade, and at no cost? That's going to result in a huge boost to loyalty!

Sure, there's still a ways to go for Shaw, but over the next three years, as 5G infrastructure comes down the pipeline, I'm willing to bet that Shaw will gain the most ground over any of the Big Three players. And while the telecom battle continues to unfold, investors have the opportunity to collect a very bountiful dividend of 4.4%. And if you're able to buy on the dip, you could nab shares with a yield north of the 5% mark, as I did.

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:SJR.B (Shaw Communications)

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