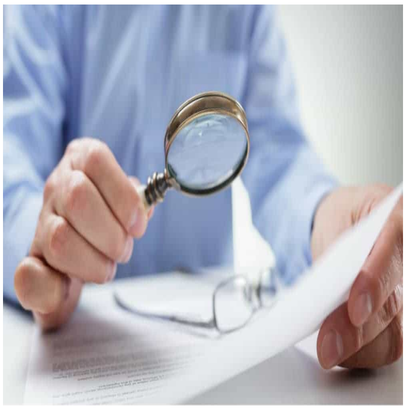

Flagships of the TSX Index: 2 Top Stocks to Watch

Description

Two of the biggest indicators of the health of the TSX index — and indeed the economy in general — form a duo of major banking and energy stocks that you may, in fact, hold in your portfolio right now. Let's take a look at the current performance of these bellwether stocks and see how they're holding up, whether they're worth buying at this point in time, and what they can tell investors about the state of Canadian investing.

TD Bank (TSX:TD)(NYSE:TD)

Financials have been something of a disappointment for Canadian investors of late, and while this may come as a surprise to outsiders or newcomers, anyone who has been keeping an eye on the track records and outlooks of Bay Street's major bankers may not be too shocked.

Overall growth of the biggest TSX index bankers has been slow, with TD Bank representing some of the higher growth: a one-year past earnings growth of 10.6% is indicative of this and matches closely its five-year average growth of 10.1%.

Indeed, TD Bank is a stock of moderation; see its quality stats for instance, such as a so-so ROE of 14% for the past year. However, in terms of a balance sheet, TD Bank is better than most other Big Six tickers, with a sufficient tolerance for bad loans in addition to the usual acceptable non-loan asset ratio.

In terms of value, TD Bank is trading with a 35% discount against future cash flow value, and its market fundamentals are close to those of the market: A P/E of 12.4 is competitive, while a P/B of 1.8 is a little above market weight.

The main reason to buy shares in TD Bank would be its relatively safe dividend yield of 3.94%, and with a month left until it trades ex-dividend, would-be investors have a bit of time to firm up a long-term position in the sturdy banker.

Enbridge (TSX:ENB)(NYSE:ENB)

The energy sector started March off on the wrong foot, with pipeline news continuing to weigh on the industry as well as on the TSX itself. Indeed, Canadian investors may be turnings slightly bearish on energy, with Enbridge insiders only selling shares in the last three months.

Often touted as one of the top TSX index for newcomers, there are in fact a few red flags here. A one-year past earnings growth of 0.6% is almost negligibly low, while high debt at 88.7% of net worth makes for a bit of a head scratcher for the risk-averse buyer. However, should would-be buyers look past this to a high dividend yield of 6.21%?

There is plenty to recommend in Enbridge, from good value for money to sizable dividends. Trading at a 27% discount with a P/B of 1.6, Enbridge has had a decent half-decade, with a five-year average past earnings growth of 33%; this is set to continue with a 34.7% expected annual growth in earnings over the next one to three years.

The bottom line

For anyone wanting to get rich investing in stocks, the two tickers listed above will keep you in dividends, if not upside gleaned from steep upward momentum (see TD Bank's 9.6% expected annual growth in earnings). Enbridge and TD Bank are the kinds of stocks to buy now to anchor a portfolio ahead of a potential economic storm, however, and represent some of the best stable and defensive investments one can make in the TSX index.

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