2 Cheap but Excellent Dividend Stocks to Buy for Your TFSA

Description

The market has soared in 2019 and the TSX is hitting record highs. This is usually a time where value investors take a back seat to growth and momentum investors.

However, research has proven that time in the market is better than time out. Therefore, instead of sitting on the sidelines, consider these two cheap investments for your tax-free savings account (TFSA).

A top financial stock hitting all-time highs

Equitable Group (TSX:EQB) has been one of the top-performing financial stocks on the TSX, returning approximately 25% year to date. On Tuesday, the company hit an all-time high of $73.92 per share. Although you might be hesitant to pick up a stock as its hitting new highs, it is important to note that Equitable Bank was ridiculously cheap. It was only a matter of time before the company corrected upwards.

Despite its recent surge, the company is still cheap. Equitable is trading at a low price-to-earnings (P/E) ratio of 7.60 and at a very cheap 5.92 times forward earnings. It is trading at book value and at a P/E to growth (PEG) ratio of 0.25. It is rare to see a company's stock trade at such a discount to projected earnings growth. The company's share price is not keeping up with expected growth rates.

As if that wasn't enough, Equitable has also become one of the top dividend growth stocks on the index. It is a Canadian Dividend Aristocrat, having raised dividends in six of the past eight quarters and has a nine-year dividend growth streak. Canada's Challenger Bank also has a history of raising dividend by the double digits, far and above the dividend growth rate of its peers. With a low payout ratio (12%), shareholders stand to gain from continued double-digit income growth.

A cyclical stock ready to bounce

Canada's auto parts industry has been dogged by uncertain economic conditions for years. Outside of **Magna International**

(TSX:MG)(NYSE:MG), most auto part companies have struggled to find a footing. Over the past five years, investors have seen little gains aside from spikes here and there. However, sales and profits have been on the rise, and as such, the industry is one of the cheapest on the index.

One such stock, **Linamar** (TSX:LNR), appears ready to build on strong momentum in 2019. The company has returned 12% year to date, second only to Magna. It still has plenty of room to run. Linamar is trading at only 5.94 times earnings and 5.34 times earnings. Like Equitable Group, it is only a matter of time before this chronically undervalued stock catches a bid.

At a PEG of 0.59, the company's stock price is not keeping up with expected growth rates and is trading 27% below its one-year target estimate of $65.00 per share. It is even trading 10% below even the most bearish analyst price target of $56.00.

Foolish bottom line

No matter how high the TSX climbs, there are always value stocks to be found. The key to successful investing is to invest in high-quality stocks that are trading at cheap or respectable valuations. You can sit on the sidelines and wait for a dip in the market before investing. However, by that time, the market can rise another 10 to 20 per cent.

Research has shown that between 1996 and 2016, the **S&P Composite Index** had returned an average of 7.7 per cent. Not bad. However, if investors missed the 20 best trading days of the year, that returned dropped to 1.6 per cent. This supports the notion that time in the market is better than time out as you risk missing the best trading days of the year.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:LNR (Linamar Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
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