2 Cheap Dividend Stocks for Your TFSA

Description

It can be hard to find good dividend stocks that trade at attractive valuations to add to your TFSA. Given how sought after they are, it isn't surprising that many of the best such stocks trade at healthy premiums. However, hard doesn't mean impossible, and there are good dividend stocks that also have low P/E ratios.

Let's look at two such stocks: **Magna International Inc** (TSX:MG)(NYSE:MGA) and **Canadian Imperial Bank of Commerce** (TSX:CM) (NYSE:CM).

One of the largest automotive suppliers in North America

Magna International is a manufacturing company that specializes in the automobile industry. The firm's clients include many of the best-known auto companies in North America. But the company's reach extends far beyond North America and into Europe and Asia.

Magna has run into some headwinds recently. The company's latest earnings were disappointing, to say the least. The auto parts manufacturer recorded earnings per share of just $1.63, compared to the consensus analyst estimates of $1.71. This was due in large part to a decline in total sales of about 2% year over year.

Magna also lowered its guidance for the current fiscal year, expecting lower light vehicle production and a net income between $1.9 billion and $2.1 billion (versus the previously announced $2.1 billion to $2.3 billion range).

As one might expect, investors were not thrilled, and Magna's share price suffered. The firm's stock is down by about 15% since its Q1 financial results were announced back in early May. Though Magna will continue running into obstacles, this recent drama has arguably created an opportunity for investors.

The company has a diversified mix of product offerings, and has been expanding into new territory, including the promising sector of autonomous driving. Magna is currently trading at just 6.26 past and 7.23 future earnings. The firm offers a dividend yield of about 3.40%, and a payout ratio that is under 20%. Its yearly dividend payout has increased at a compound annual growth rate of about 15% since

2014.

The cheapest Canadian bank?

Canada's fifth-largest bank by asset has had a rough year on the stock market. Though the company started out well, riding the wave of high-performing equity markets, CIBC has seen since felt the effects of gravity.

Year to date, the financial institution's stock is only up by about 1%. This has, however, created an opening for investors: the firm is even more attractively valued than it was just a few months ago. Currently trading at 9.12 past and 7.91 future earnings, CIBC looks very cheap.

CIBC's relatively average second-quarter earnings is clearly one of the factors that had a negative impact on its stock price. The company posted strong revenues, and net income increased 2% year over year and 14% quarter over quarter. But CIBC's earnings were dragged down by various one-time items on its income statement.

More important, though, top management announced flat earnings per share growth for the year, much to the dismay of investors.

Despite these headwinds, CIBC has a strong domestic market position and its acquisition of **PrivateBancorp** about two years ago will only bolster its U.S operations. The company currently offers a juicy 5.46% dividend yield. Further, CIBC has a low payout ratio, currently sitting at about 48%.

Investor takeaway

You don't always have to pay a huge premium to get your hands on strong dividend-paying stocks to add to your TFSA. Magna International and Canadian Imperial Bank of Commerce both offer strong dividend yields and low payouts, and trade at very attractive valuations.

CATEGORY

1. Bank Stocks
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2. NYSE:MGA (Magna International Inc.)
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