Top 10 TSX Index Stocks: Which Are the Best Buys for July?

Description

The top TSX index stocks are established, large-cap companies. Reviewing the top 10 holdings revealed that there are certain blue-chip dividend payers in the energy sector that are particularly intriguing investments today.

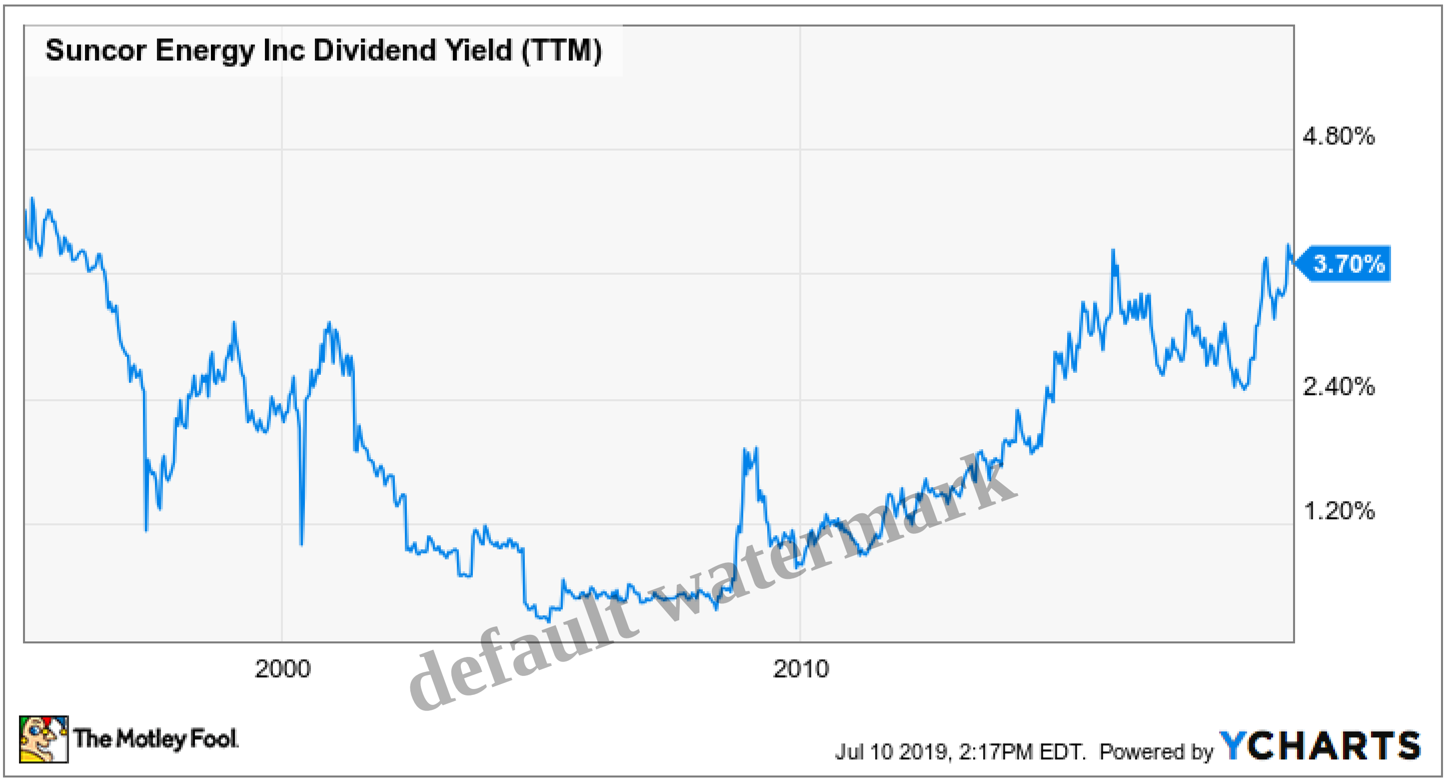
Suncor Energy offers a 4% yield and 29% near-term upside

Suncor Energy (TSX:SU)(NYSE:SU) benefits from operating an integrated energy business with a long-life, low-decline asset base that generates substantial cash flow and maintains a strong balance sheet.

The company can optimize profits along the value chain from digging up the raw products to selling them at the gas stations. At the end of 2018, it estimates that its proved and probable reserves will last for more than 28 years.

Suncor's three-year operating cash flow growth was more than 15% per year on average. Its free cash flow generation is also very strong. Last year, it generated nearly $10.6 billion of operating cash flow and almost $5.2 billion of free cash flow. This implied a payout ratio of 45% of free cash flow and strong dividend coverage. Its trailing 12-month free cash flow yield of 9.7% is pretty compelling.

Suncor is a well-run company that has increased its dividend through good and bad times for 16 consecutive years with a five-year dividend-growth rate of 14.6%. So, it makes good sense to buy it when it's attractive as it is now. At $42.13 per share, SU stock offers a safe yield of 4%, which is near the high end of its historical yield range. From this level, analysts estimate the stock can appreciate 29% over the next 12 months.



SU Dividend Yield (TTM) data by YCharts.

Enbridge offers a 6.1% yield and 13% near-term upside

Enbridge (TSX:ENB)(NYSE:ENB) is the largest energy infrastructure company in North America with operations in processing, transporting, and storing natural gas, natural gas liquids, crude oil, and refined products. Its large scale and diversified business build a wide economic moat around the company.

Enbridge's three-year operating cash flow growth was more than 15% per year on average. Last year, it generated $10.5 billion of operating cash flow and almost $3.7 billion of free cash flow, as the company continued to reinvest into the business.

This year, Enbridge estimates it will pay out about 66% of distributable cash flow as dividends. Therefore, it has strong dividend coverage.

Enbridge is a core income holding for many investor portfolios; it has increased its dividends for 23 consecutive years with a five-year dividend-growth rate of 16.3%. So, it makes good sense to buy it when it's attractive as it is now. At $48.08 per share, ENB stock offers a safe yield of 6.1%, which is near the high end of its historical yield range. From this level, analysts estimate the stock can appreciate about 13% over the next 12 months.

ENB Dividend Yield (TTM) data by YCharts.

Foolish takeaway

If you're looking for value and upside, you should seriously consider Suncor and Enbridge today. They pay you nice dividends to wait!

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