TFSA Investors: 2 Top Dividend Stocks That Look Oversold Right Now

Description

The recent pullback in certain sectors of the stock market is providing investors with an opportunity to buy some attractive dividend stocks at reasonable prices.

Let's take a look at two companies that might be interesting picks for a dividend-focused TFSA portfolio.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) has paid investors a dividend in each of the past 190 years!

The first payout started in 1829, and the company has managed to give investors a share of the profits every year since, including during some pretty difficult economic times. This is a testament to the quality of the business, and investors should feel comfortable owning the stock for decades.

Bank of Montreal has a balanced revenue stream coming from personal and commercial banking, wealth management, and capital markets activities. The bank's large U.S. division operates roughly 500 branches primarily in the midwest states and provides a nice revenue hedge to complement the Canadian business.

The stock trades for $95 per share right now. That's still up from the August low near $89, but well off the 2019 high of $107. Additional downside could be on the way in the near term, but at the current multiple of 10 times trailing earnings, Bank of Montreal should be an attractive long-term buy.

A dip down below $90 should be viewed as an opportunity to add to the position.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades at $46 per share, compared to a 12-month high of $51 and a five-year high of $65.

Negative sentiment toward big pipeline projects has made it difficult for Enbridge to move ahead on some developments. The company canceled its Energy East initiative in Canada and is still trying to get its Line 3 replacement project completed in the U.S.

Investors also took a step back after the $37 billion acquisition of Spectra Energy in 2017. Pundits felt the company's balance sheet looked a bit risky and the company was getting too complicated for analysts to do a proper evaluation.

Management apparently got the message and has made good progress in a plan to address the concerns. Enbridge has already found buyers for nearly $8 billion in non-core assets and successfully brought four former subsidiaries under the umbrella of the parent company.

Funds from the monetized assets are being used to strengthen the balance sheet and help cover the $19 billion capital program. The streamlined business structure keeps more cash flow inside the company and should go a long way to making it easier to put a value on the assets and revenue streams.

Enbridge gets the bulk of its revenue from regulated assets, meaning cash flow should be predictable. Management has said the company should deliver distributable cash flow growth of 5% to 7% beyond 2020.

The board raised the dividend by 10% in 2019. Investors who buy the stock today can pick up a 6.4% yield.

The bottom line

Bank of Montreal and Enbridge pay attractive dividends that should continue to grow, supported by rising revenue and profits.

The stocks appear cheap today and investors can pick up good yield while securing an opportunity to generate decent capital gains when sentiment improves.

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1. Bank Stocks
2. Dividend Stocks
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