



## 2 Cheap but Excellent Dividend Stocks to Buy for Your TFSA

### Description

The **TSX** is coming off a banner year in which it posted its best return since 2009. The index is hitting all-time highs and in general, stocks are beginning to look expensive.

However, there is still value to be found, which holds true in all markets. Not matter how frothy the markets appear, there are always laggards that can provide excellent value.

With that in mind, I bring to your attention two cheap dividend stocks that would make excellent additions to your Tax- Free Saving Account (TFSA).

The TFSA is an important investment vehicle for Canadians, as it allows investors to growth their investments tax free. In 2019, the TFSA contribution limit is \$6,000 and the total possible lifetime contribution limit is \$63,500.

### Canadian Tire

As the markets hit new highs, **Canadian Tire** ([TSX:CTC.A](#)) has struggled to gain a footing. Just when the company seems poised to break out, it retreats again.

Over the past year, the company has lost 1.8% of its value and is one of the few companies to post a loss amid a healthy bull market.

The good news?

There's nothing fundamentally wrong with the company. The biggest headwind? It has been the target of [notable short sellers](#) due to its high debt load.

It's important to note however, that the debt load is not the highest it's been and has only increased due to recent acquisitions.

The company is highly profitable, generates considerable cash flow and is expected to reduce debt to

normal levels over the next couple of years.

Astute investors will recognize this as a unique opportunity. At 12.56 times earnings, Canadian Tire is trading well below its historical P/E average (15.35) and it currently sports a PE to growth (PEG) of 1.22, one of the lowest it has been in years.

The expectation is for annual earnings growth in the high-single digits to low-teens, a clear sign that this retail giant has a healthy business.

Sporting an eight-year dividend growth streak, Canadian Tire is also a Canadian Dividend Aristocrat. Over the course of the streak, it has average double-digit dividend growth and last raised dividends by 10% last January. As such, investors can expect another raise soon.

Analysts are almost unanimous in their coverage: 12 of 13 rate the company a “buy” with a one-year price target of \$173.78 per share, which implies 24% upside from today’s price of \$139.74 per share.

## Bank of Nova Scotia

Canada’s Big Banks did not fare well last year, and 2020 is also expected to be a challenging year. However, Canada’s Big Banks are not stocks you trade, you buy when they’re cheap and hold for the long term.

[Why choose](#) the **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) over the others?

Canada’s Big Banks have a clear trading pattern. Whenever they dip below their historical P/E average, it has proven to be a buying opportunity as they have always returned to trade inline with historical averages.

As of writing, the Bank of Nova Scotia is trading at a steep 15% discount to its historical P/E average.

It has only been this cheap twice before: in 2015, and during the financial crisis. Both instances have proven to be excellent entry points for investors. There’s no reason to think this time will be any different.

The Bank of Nova Scotia is the only one of Canada’s Big Five banks with an average “buy” rating from analysts (13 of 16). The company is streamlining its operations and the consensus is that it will lead to outperformance.

At 4.89%, it has one of the highest yields of the group and has averaged 6% dividend growth over the course of its eight-year dividend growth streak.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)

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