



## TFSA Pension: 2 Top TSX Index Stocks to Buy on a Market Pullback

### Description

While the **TSX Index** continues to sit near record highs, there are potential storm clouds on the horizon and investors should brace for the possibility of a healthy correction in the coming months.

The coronavirus outbreak is hitting the near-term results of global businesses that rely on China for manufacturing or revenue. As the health crisis continues, companies across a wide swath of industries are warning that their results in the first quarter of 2020 will be below guidance.

Volatility is natural part of the stock market's existence, and while many people sell into dips, investors with solid buy-and-hold strategies can take advantage of the weak moments to add great dividend stocks to their TFSA [pension](#) portfolios.

Let's take a look at two Canadian industry leaders with strong track records of delivering [dividend](#) growth and capital appreciation.

### Royal Bank of Canada

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest bank based on market capitalization and one of the top 15 in the world. The company is very profitable by industry standards, with return on equity of nearly 17% and adjusted net income in 2019 of \$12.9 billion.

Royal Bank is currently Canada's most international bank with operations in 36 countries around the globe serving 17 million clients. The bank's success is attributed to its diversified business and geographic model.

Royal Bank generates 62% of its revenue in Canada. The U.S. operations add 23% and the other international locations kick in 15%.

Across the business, the personal and commercial banking activities account for 49% of earnings. The capital markets group adds 21%, and wealth management contributes 20%. The insurance business adds 6% and investor and treasury services compose 4% of earnings.

Royal Bank has a CET1 ratio of 12.1%, meaning that its capital position is strong and should enable the company to ride out the next downturn.

The stock trades near \$108 compared to the 12-month low around \$97 per share at writing. It would be great to buy Royal Bank closer to \$90, but any pullback toward the \$95 mark should be attractive. The stock provides a dividend yield of 3.9% at the current price.

## CN

**Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) is undergoing a rough spell right now as protesters block rail lines at various locations across Canada.

CN announced that it will temporarily lay off 450 workers, as the company had to shut down a significant portion of its network in recent days. The government is in discussions with the groups that are blocking the rail lines.

Given the essential service CN provides for the economy as well as to homeowners, businesses and public services, the disruption is threatening to hurt the broader economy and will have a near-term impact on the company's results.

The stock is holding up well despite the bad news, however. In the fall, CN was hit with a week-long strike and the share price slipped from \$124 to \$112 before bouncing back the following month. At the time of writing, CN trades at \$123 compared to a recent high of above \$128.

History suggest that any pullback in CN's share price is a good long-term buying opportunity. A drop back toward \$110 would be an attractive entry point.

## The bottom line

While market corrections are scary, they can offer savvy investors opportunities to scoop up great companies at cheap prices. In the event of a meaningful downturn in 2020, Royal Bank and CN would be good stocks to add to a TFSA pension portfolio.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)

4. TSX:RY (Royal Bank of Canada)

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