2 Dividend TSX Stocks to Bank On!

Description

Even with the recent market rally, there are plenty of dividend **TSX** stocks still available for cheap. That is, there are top blue-chip stocks trading at potential discounts to their true underlying value.

For long-term investors, scouting out such stocks is a top priority. These stocks present attractive buying opportunities for those looking to buy and hold for years to come.

However, some dividend TSX stocks have not simply been whipped around with the market. Instead, they face new material challenges ahead.

It's therefore important for investors to identify risks involved with these types of stocks and weigh those against the total return potential.

Today, we'll look at two blue-chip stocks that are offering great value. They may be facing risks, but there are reasons to suspect they will persevere through tough times as well.

BMO

Bank of Montreal (TSX:BMO)(NYSE:BMO) is one of Canada's major banks. Like many bank stocks, it has been hit hard with the recent volatility in the market.

As of writing, BMO is now trading at $73.72 and yielding 5.75%. Its P/E ratio is slightly below its trailing figure, and the yield of 5.75% is well above the average mark for the past five years.

So, it appears BMO stock can be had for cheap relative to past valuations. However, this dividend TSX stock does face challenges ahead.

The bank is heavily exposed to the oil and gas sector through various loans. Recently, this sector has been extremely volatile and beat up.

Whether these oil prices are the new normal remain to be seen. But, investors might have a hard time stomaching the amount of exposure BMO has to the sector if that's the case.

It's important to note, however, that BMO is one of the more liquid banks and is well capitalised. It appears ready to weather a storm from the oil and gas sector, and continue paying its dividend.

Besides, long-term investors should be able to recognise that these short-term pressures in interest rates and oil price fluctuations almost certainly won't mean much in the long run.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is another major Canadian bank. It too has been dragged down with the markets, but has been slowly recovering.

At the time of writing, this dividend TSX stock is trading at $85.23 and yielding 6.85%. As with BMO, its P/E ratio is ever so slightly below the trailing figure, while the yield is out-sized compared to the past five years.

CIBC also has some loans viewed to be risky in the domestic housing market. In fact, the bank is rather over-exposed to domestic housing compared to its peers.

So, the potential for a housing market crash this year is weighing heavily on sentiments for CIBC.

Once again, however, CIBC has decent liquidity and a strong track record for weathering tough times. Sure, the squeeze on interest rates will hurt margins a bit and housing could be a sore spot this year. However, these are not likely to be major issues that will harm the bank for years to come.

Long-term investors should still be clamouring at the chance to lock in such a lucrative yield with a top dividend TSX stock.

Dividend TSX stock strategy

During this market rally, dividend TSX stocks are still available at discounted prices. For long-term investors, some of the short-term pressures at play are non-issues and as such, they can pounce on these buying opportunities.

BMO and CIBC are two Canadian banks that will likely be feeling the heat in the near future. However, their strong balance sheets and track records of stability should instill confidence with investors.

If you're looking to lock in a monster yield for the long term, give these dividend TSX stocks a look.

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