



American Jobs Surge: 2 Canadian Stocks to Ride the U.S. Recovery Higher

Description

The U.S. economy added 4.8 million jobs in June, easily blowing past the roughly three million increase estimated by economists. Unemployment in the United States fell to 11.1%.

Strong hiring by businesses suggests aid measures put in place by the government and the Federal Reserve are working. The jump in jobs bodes well for a speedy economic rebound. Good news south of the border is also positive for Canada. The U.S. remains the country's largest trading partner.

Let's take a look at two Canadian stocks with significant U.S. operations that might be attractive picks right now for a dividend-focused [TFSA](#) portfolio.

TD

TD is best known for its large Canadian retail banking business, but the company actually operates more branches in the United States than it does in Canada. The bank spent billions of dollars on acquisitions over the past 15 years to build the American business. Operations run from Maine right down the east coast to Florida.

Falling unemployment reduces the likelihood people will default on mortgages, car loans, and credit card balances. TD set aside \$3.2 billion as provisions for credit losses (PCL) for fiscal Q2 2020. The American business accounted for US\$800 million, or roughly \$1.1 billion of the total.

A better-than-expected jobs rebound could result in the actual loan losses being lower than the PCL charges. The U.S. retail banking business typically accounts for about a third of TD's net income.

TD maintains a strong capital position with a CET1 ratio of 11%. This means it has adequate liquidity to ride out the downturn, but the stock still comes with risks.

Rising case numbers in the United States could slow the reopening of the economy. This could delay additional job gains or even result in job cuts again in some areas where new lockdowns are put in place.

Overall, TD should be a solid pick. The stock appears cheap at the current price near \$60 per share, and the [dividend](#) should be safe. Investors who buy now can pick up a yield of 5.2%.

CN

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is the only rail operator in North America with lines connecting ports on three coasts. The network crosses Canada from the Pacific to the Atlantic and runs right down the middle of the United States to the Gulf of Mexico.

CN is a vital part of the U.S. and Canadian economies, carrying roughly \$250 billion worth of cargo each year. The business units are diverse, ranging from coal and crude oil to cars, fertilizer, forestry products, and finished goods.

CN generates enough free cash flow to cover its capital program and the dividend. The railway spent nearly \$4 billion in 2019 on new locomotives, new rail cars, network upgrades, and new technology to make sure the business runs efficiently.

CN's dividend-growth rate is among the best in the **TSX Index** over the past two decades. The stock already recovered most of its losses during the March crash and should steadily chug higher in the coming years.

The bottom line

TD and CN are top-quality picks for a TFSA dividend fund and offer investors great exposure to the U.S. recovery.

If you think the economic recovery is picking up steam, these stocks deserve to be on your radar.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
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