$1,000 Invested in These 2 Beaten-Down TSX Stocks Could Supercharge Your TFSA

Description

While the Canadian stock market has recovered sharply from its March lows, several top **TSX** stocks continue to sell cheap. So, if you haven't maxed out your Tax-Free Savings Account (TFSA) limit for 2020 and have room to invest $1,000, consider buying oil and gas pipeline stocks.

Why pipeline stocks?

Oil and gas pipeline stocks have taken a significant hit as lower throughput volumes amid a sharp decline in crude prices remained a drag. Moreover, an uncertain economic outlook continues to plays spoilsport. However, top Canadian pipeline companies run a resilient and diversified business that continues to generate strong cash flows.

Besides, the cost of service arrangements and take-or-pay contracts largely mitigate the losses from the reduced throughput volumes.

While rising COVID-19 cases are a concern, gradual pickup in economic activities in the latter half of the year should support liquid volumes for the pipeline companies.

Diverse revenue streams, low-risk business, credit-worthy counterparties, high dividend yield, and low stock price, provide a strong foundation for outsized gains in pipeline stocks that could supercharge your TFSA portfolio in the long run.

If you're interested in investing $1,000 in pipeline stocks for your TFSA account, consider buying these two **TSX** stocks.

Why buy Enbridge?

Enbridge (TSX:ENB)(NYSE:ENB) stock is down about 20% this year. However, the selloff in Enbridge stock is unwarranted. The company owns low-risk pipeline/utility assets and has more than 40 diverse sources of cash flow.

Enbridge generates nearly 98% of its EBITDA from businesses that are contracted and provide stability amid volatility in the commodity prices. Its strong competitive positioning ensures that its liquid pipelines are highly utilized and generate resilient cash flows. Moreover, its renewable power business benefits from long-term power-purchase agreements.

Enbridge has raised its dividends for 25 years straight. Meanwhile, its dividends have increased at a compound annual growth rate (CAGR) of 11% in the past 15 years. The decline in its stock and consistent dividend growth has driven its annual yield higher to a juicy 7.8%.

Enbridge's diversified cash flows, low stock price, strong growth potential, and high yield make it a top TSX stock to buy and hold for decades.

TC Energy looks attractive

TC Energy (TSX:TRP)(NYSE:TRP) stock is down over 14% year to date. Similar to Enbridge, the decline in its stock is highly unwarranted as the company's utilization rate remains very high and unaffected by the pandemic.

In the most recent quarter, TC Energy stated that its utilization levels remain robust with COVID-19 having no material impact on it. The company's business is highly insulated thanks to the long-term contractual arrangements and rate-regulated assets.

The volatility in throughput volumes and commodity prices is transitory and unlikely to impact TC Energy's long-term growth prospects. The company generates predictable cash flows with about 95% of its adjusted EBITDA coming from rate-regulated and contractual assets.

TC Energy's resilient business and stable cash flows have helped the company to boost investors' wealth through higher dividends consistently. It has raised its dividends over the past 20 consecutive years. Meanwhile, its dividends have grown at a CAGR of 7% during the same period.

The company expects 8-10% growth in its dividends in fiscal 2021. Moreover, it plans to increase it further by 5-7% beyond 2021.

TC Energy's resilient business, growth projects, and a forward yield of 5.5% should supercharge your TFSA portfolio.

CATEGORY

1. Dividend Stocks
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2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
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