TFSA Investors: 3 Top TSX Dividend Stocks That Are Still Cheap

Description

Many Tax-Free Savings Account (TFSA) investors did not act during the epic market crash in March this year. However, they should not feel bad, as some top **TSX** stocks are still trading way below their fair values.

I have chosen three such TSX stocks that you may consider adding to your TFSA portfolio.

Enbridge

Energy markets have been notoriously volatile for the last couple of years and have kept investors at bay. However, **Enbridge** (TSX:ENB)(NYSE:ENB) differentiates itself on many fronts and is a relatively safe bet for long-term investors.

It is an energy pipeline company and stays strong, even during crude oil price downturns. Its second-quarter earnings, which came out on July 29, underlines the same. While many Canadian energy giants plunged into deep losses in Q2, Enbridge exceeded expectations. Its adjusted EBITDA in Q2 increased by a decent 3% compared to the same quarter last year.

Enbridge's strong quarterly earnings indicate that it will be comfortable funding its shareholder payouts for the foreseeable future. It yields 7.7%, notably higher than TSX stocks at large.

Interestingly, Enbridge stock is still trading 25% below its pre-pandemic levels and looks substantially undervalued. It is an apt pick for TFSA investors, given its solid dividend profile and long-term stock appreciation potential.

Bank of Nova Scotia

The thesis behind covering **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) is simple. Among the top Canadian bank stocks, Scotiabank offers the highest dividend yield and is currently trading at a comparatively cheaper valuation.

While near-term challenges might continue to hamper banking stocks, Scotiabank seems better placed with its diversified earnings base and stable credit metrics. Its scale and strong capital position might fuel a faster recovery compared to peers.

Scotiabank is currently trading at a dividend yield of 6.5%, higher than peers. It has managed to grow dividends by 6% compounded annually in the last 12 years. Notably, along with yield, dividend growth plays a vital role in driving shareholders' total returns in the long term.

BNS stock is trading at a forward price-to-earnings valuation of 11, while its price-to-book value comes in at one. That's lower than many top Canadian bank stocks.

Canadian Tire

A $7.5 billion retail giant **Canadian Tire** (TSX:CTC.A) has been going through tough times for the last few months. Analysts expect a sizeable dent on its bottom line for the second quarter, as lockdowns majorly dominated the period.

However, some aspects make Canadian Tire an interesting case. Though lower footfalls in the last quarter hampered its business recently, it has been aggressively expanding its digital presence.

Its extensive presence of brick-and-mortar stores in the country, along with an emerging e-commerce platform, could notably accelerate its earnings growth in the long term. Also, economies re-opening after weeks-long lockdowns should gradually normalize business activities.

Canadian Tire stock yields 4%, higher than that of Canadian broader markets. It is still trading 20% below its pre-pandemic levels and is trading cheaply.

These three TSX stocks are suitable for your TFSA account, mainly due to their stable dividends and attractive growth prospects. Returns generated within the TFSA will be tax-free for eligible investors throughout the holding period as well as at withdrawals.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/24
Date Created
2020/07/30
Author
vinitkularni20