2 Top TSX Stocks to Buy Today for Their +5% Yields!

Description

Investors looking for stocks that provide attractive dividend yields have a number of great choices on the TSX right now. That said, I think there is a real discrepancy between the quality of many of these stocks.

Indeed, sorting high-yield stocks into specific buckets is important. Avoiding value traps ought to be every investor's goal. Accordingly, I've got two picks I think are of the highest quality in the high-yield space right now.

Scotiabank

In recent years, opportunities to buy one of Canada's largest banks at a yield of 5.2% have been few and far between. In this context, I think investors ought to consider **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) at these levels. Locking in a +5% yield in one of the best companies on the TSX at a time when bond yields are near zero is a prudent idea, particularly for those with an income orientation in their portfolio.

Scotiabank is not the largest or most glamorous bank on the TSX, but it does have a combination of factors that make it my favourite right now. From a diversification standpoint, I think Scotiabank is superior to its peers. The company has much more aggressively targeted geographies that are heavily tilted toward long-term growth. These areas of the world include Central and South America. Accordingly, I think these emerging markets are significantly undervalued right now. Therefore, I think Scotiabank is positioned well to take advantage of a revaluation I think is on the horizon soon.

In addition to the diversification this bank provides, Scotiabank has excellent fundamentals today. In fact, I think Scotiabank's fundamentals on the whole are better than its aggregate peer group right now. This balance sheet strength bodes well for the thesis that this company could continue to grow via acquisition in the future. Additionally, having this financial flexibility allows for potential dividend increases on the horizon.

Enbridge

Okay, now we're going to get into the upper tranches of what most high-yield investors would consider a sustainable dividend. Indeed, **Enbridge's** (TSX:ENB)(NYSE:ENB) 7.6% dividend yield may invoke worries about sustainability. After all, any yield that is within spitting distance of double digits ought to be questioned.

That said, I think this is a company that not only has a sustainable yield but could potentially increase this yield over time! As I discussed in a recent piece, Enbridge is in the process of a cash flow reallocation. Essentially, the company is reducing its forward annual dividend increase rate in favour of paying down debt and investing in its long-life project expansions. I think these moves are certainly warranted. Additionally, I think the market has been expecting something like this for a while.

With more cash flow being funneled where it needs to go, Enbridge's balance sheet (a pain point for this stock for some time) can be addressed. I think the sooner Enbridge tightens up its balance sheet, the sooner the company can go back to its high single-digit or even double-digit annual dividend increases. Right now, a 7.6% yield ought to suffice for investors. I think this is a stock where patience is required. Indeed, one must look a decade or two down the road to see the true value of compounding with Enbridge. This is a slow-and-steady growth play. Those with long-term investing time horizons and patience will do well.

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