RRSP Investors: A Top Dividend King to Buy in March

Description

The RRSP contribution deadline is here. If you're looking for cheap Canadian stocks to put your latest contribution to work, you've come to the right place. There are many bargains on the **TSX Index** following last week's brutal growth-driven sell-off. With bond yields creeping higher, many are fearful that the growthiest of stocks are at risk of a further correction. Their future cash flows aren't worth nearly as much if bond yields continue to rise in anticipation of a potential hike in interest rates.

With the U.S. Federal Reserve reluctant to hikes rates before employment numbers recover, I think the fears over an inflation-driven surprise rate hike are overblown. Moreover, the Bank of Canada is probably unlikely to raise rates until our neighbours south of the border do so first. As such, I think the recent sell-off in stocks is a tad premature.

Rising rates may not be as far off as most are led to believe

Of course, in due time, I think that employment will bounce back, and central banks will be forced to raise rates again, even if it means sparking a pullback in the broader equity markets. Rate-sensitive firms like the big banks are likely to take off in such a scenario.

For now, I think it'd be wise for RRSP investors to play both sides of the coin by picking up hard-hit growth stocks on the latest dip while continuing to bet on the rising-rate beneficiaries, which could have the most room to run in the "roaring 20s" that could follow this horrific pandemic.

TD Bank: A top Canadian bank stock to buy as a hedge against rising interest rates

The Fed may not even be thinking about thinking about raising rates yet. But that doesn't mean you shouldn't anticipate some sort of rising-rate environment that could kick in at some point within the next five years. Now, it's a foolish (lower-case *f*) to try to profit from rate hikes over the near term. But over a longer-term basis, I'm sure you'd agree that rate hikes could pose a serious threat to equity prices at the expense of the beneficiaries, like the financials.

TD Bank: A top financial stock for long-term-focused RRSP funds

TD Bank (TSX:TD)(NYSE:TD) is my top Canadian bank to own at today's reasonable valuations. The company just came off a stellar quarter that saw lower-than-feared provisions. Coronavirus headwinds and thin net interest margins (NIMs) still exist. That said, the bank and its high-quality, low-volatility retail banking earnings are still worth paying a premium price tag for.

Analysts have been hiking their price targets following TD's first-quarter beat. And I think it'd be wise to accumulate shares while they're still modestly valued here. If not for the economic reopening, then for a hedge against a rising-rate environment, which could be closer than many of us think in spite of the extremely dovish commentary from central banks.

The Canadian banks' NIMs have been thinned for quite some time now. And they could be due for significant expansion over the next decade.

The Foolish takeaway for RRSP investors

Sooner or later, inflation and recovering employment will cause Fed chair Jerome Powell to hover his hand around the rate hike button again. And the banks could be first to rocket higher in such a scenario. TD Bank is the Dividend King I'd buy before such a scenario if you find your RRSP is light on names that could benefit from a rising-rate environment.

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