2 Dominant Canadian Dividend Kings to Buy in June 2021

Description

Canadian Dividend Kings seldom go on sale, but when they do, investors ought to be ready to do some buying. The TSX Index has been surging of late, thanks in part to the strength in commodities like oil. But not all stocks have participated in the epic 2021 rally to the full extent. And it's these names that I believe could be the best of buys as we head into the second half of the year.

In this piece, we'll have a closer look at three Canadian Dividend Kings that could make up for lost time, as the economy continues to heal from the horrific COVID-19 crisis en route to normalcy and a booming economic expansion that could be one of the hottest on record.

Canadian Dividend Kings worth a second look

Now, such a hot economy could have the Bank of Canada hitting the rate-hike button sooner than expected. Higher rates don't bode well for stocks, and they can be toxic to non-profitable speculative tech stocks that have overshot their intrinsic value ranges over the past 18 months. Dividend Kings, however, will be better off. Some, like the financials, may view higher rates as a positive.

So, without further ado, let's get right into the names.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is true royalty when it comes to dividends. The Dividend King has kept its payout intact through thick and thin. And now that the macro backdrop is improving, Royal Bank stock is not looking back, as it continues surging to make new highs regularly.

The stock is now up over 13% from its pre-pandemic peak. Thanks to its robust capital markets and wealth management businesses, Royal stock quickly bounced back from the COVID-19 crash. As it builds upon the momentum in such businesses while looking to a more favourable rate environment, I think the momentum behind Royal stock is not about to slowdown anytime soon.

Sure, Royal is the most expensive; it's been based on a trailing price-to-earnings (P/E) basis, with a P/E multiple now north of 15. That said, I think we're on the verge of some blowout bank earnings that could compress such multiples considerably. So, don't let the swollen traditional metrics fool you; many bank stocks still cheap like bargains given the smoother road ahead.

CN Rail

CN Rail (TSX:CNR)(NYSE:CNI) is one of the most boring stocks out there. With **Kansas City Southern** likely in the bag, the boring but dominant railway is about to get exciting — perhaps a lot more exciting, given KSU's assets will give the company easy access across the U.S.-Canada border and the U.S.-Mexico border, with access to top Mexican ports.

U.S. regulators have expressed their concerns, citing curbed competition. That said, I think it's in the interest of America to have a resultant rail network that can curb emissions. CN Rail is a smooth operator, and I think KSU's assets will be put to better, more efficient use by CEO J.J. Ruest and company.

More efficient use of such railways could mean big business for CN and fewer trucks spewing emissions as they wait at the border. I think CN Rail will prove the doubters wrong. The sticker price is high, but it'll help CN Rail fuel many generous dividend hikes through the Roaring '20s.

It's rare to get a chance to buy a Dividend King like CN Rail at a 13% discount from the top. I think Canadians would be wise to take advantage of the KSU-induced dip while they still can. The 2% yield probably won't stay this high once investors pile back into a name whose moat is tough to contend with.

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3. TSX:CNR (Canadian National Railway Company)
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