2 High-Yield TSX Stocks I'd Buy on the Dip Today

Description

The value and cyclical trade is looking to run out of steam, but the weakness, I believe, has paved the way for some pretty great buying opportunities.

As the momentum turns around and rallies run out of steam, investors should not expect things to turn green as soon as they've punched their ticket. You see, Mr. Market can be unkind at times — at least over the short term. He doesn't care when you're in a stock or when you're out. He'll keep serving up prices, some of which may be nowhere close to a stock's true intrinsic value.

In this piece, we'll have a look at two stocks that have recently pulled back, but could be positioned to come back strong over the coming 18 months leading up to the Fed's next rate hike.

Sun Life Financial

Sun Life Financial (TSX:SLF)(NYSE:SLF) and the broader basket of Canadian insurers are taking a breather right now after their unstoppable rally off their 2020 lows. I think the pullback will be short-lived, though, as the macro backdrop continues to look pretty good for the top financials.

Now off over 6% from its 2021 high, Sun Life is a top pick to buy on the dip. The 3.5% yield is juicy, and shares still look too cheap for their own good at just 12.6 times trailing earnings.

Fellow Fool Nicholas Dobroruka argues that Sun Life isn't the most exciting TSX stock to own, and that shares won't deliver market-crushing growth constantly.

Given the industry backdrop and the prospect of higher rates, I'd argue that Sun Life stock is, in fact, a pretty exciting way to play the post-pandemic environment that's starting to look pretty prosperous for the best-run Canadian financials. Given this, I'd be willing to bet that SLF stock will have no problem beating the TSX from a total-return perspective over the next decade.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) was crowned as the new king of the Canadian oil patch last year, as pandemic pressures weighed on oil prices. Instead of panicking or cutting the dividend down the middle, Canadian Natural walked away with one of the best deals I've seen in quite a while with the acquisition of Painted Pony Energy, which gives CNQ some nice natural gas exposure.

The stock has had quite the run off its 2020 lows, nearly quadrupling off the level. As the oil rally cools down, CNQ stock could be at risk of falling into a correction. It's a correction I'd buy, though, as CNQ has some enviable assets that could fuel many years' worth of dividend growth. And at higher oil, CNQ will be able to turn on the spigot as the underlying economics improves.

The 4.4% yield isn't as bountiful as it once was, but CNQ stock is still a great buy for those lacking oil exposure. Shares are currently off 6.3% on the back of oil's latest retreat. I'd look to initiate a starter position here with the intention of adding should the stock pull back such that the yield swells above the 5% mark.

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1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:SLF (Sun Life Financial Inc.)

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