2 High-Dividend TSX Value Stocks on My Shopping List

Description

The **TSX Index** has a good shot at putting the **S&P 500 Composite Index** to shame this year. But to do so, energy and financials will need to continue to remain robust into the second half of 2021.

Given the recent weakness in energy prices (oil prices are peaking out and dragging over the past few weeks), the top financials will need to do some heavier lifting if the TSX is going to have a realistic shot at outperforming.

In this piece, we'll have a look at two TSX value stocks within the financial space poised for continued outperformance. Without further ado, consider top Canadian bank **TD Bank** (TSX:TD)(NYSE:TD) and underrated Canadian insurer **Manulife Financial** (TSX:MFC)(NYSE:MFC).

TD Bank

TD Bank is a top Canadian bank whose shares pulled the brakes in recent weeks. Down just over 5%, shares of TD are currently halfway from suffering a correction, while many of its peers are still within a percentage point or two away from their highs. I can't say I understand why TD stock is leading the downward charge once again amid the weakness in financial stocks.

Sure, TD didn't fair the best during the worst of COVID-19 lockdowns. But it's still worthy of a premier multiple in my books for the bank's incredible U.S. retail banking exposure. Moreover, the bank has one of the better balance sheets in the space, opening up the possibility of a sizeable retail banking acquisition in the U.S. market.

In due time, I expect that TD stock will command a multiple in the 12.5-13 times earnings range again. But for now, investors have a shot at scooping shares at a ridiculously low 10.8 times earnings to go with a juicy 3.8%-yield dividend, which is poised to grow again over the next 18 months.

In my books, TD is one of the highest quality Canadian banks out there. The valuation is currently sitting at the lower end of the broader basket of bank stocks, but don't expect the relative discount to last, as the high-quality bank looks to profit from higher rates over the coming years.

Manulife Financial

Manulife Financial is another Canadian financial that strikes me as ridiculously undervalued. The stock currently trades at 8.9 times trailing earnings, with a juicy 4.8%-yield dividend. The high-growth Asian business makes Manulife worth a premium over its peers. Of late, though, a discount has taken the place of such a premium. As the economy continues its recovery and rates ascend again, don't expect Manulife's discount to last.

Yes, it's been a choppy past few years for the life insurer, but if you've got the time horizon and are in the market for a nice dividend at a low cost, it's tough to match Manulife's value proposition here. To make money, though, you have got to be patient with the name, as the negative momentum picks up.

At the time of writing, shares are fresh off a 12% correction off their 52-week highs. I think the correction is worthy of buying, given the economic boom on the horizon and slowly improving macro backdrop.

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:MFC (Manulife Financial Corporation)
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