Dividend Aristocrats on Sale: 2 TSX Blue Chips With Upside

Description

Dividend Aristocrats seldom go on sale in an otherwise expensive market, where the bluest of blue chips shine brightest. But when they do, Canadian investors had better be ready to do some buying, because the odds are not in favour of the bears, at least as far as the long term is concerned.

In this piece, we'll have a look at two Dividend Aristocrats that I think are tumbling on near-term noise. For those with 10-year investment horizons, each name is a great buy while it lags the broader **TSX Index** going into the fourth quarter.

CN Rail: A Dividend Aristocrat that's down 10%

CN Rail (TSX:CNR)(NYSE:CNI) has been heavily outpaced by the TSX this year, thanks in part to its bidding war for the right to scoop up the assets of U.S. railway **Kansas City Southern**. Investors aren't a fan of the price. And at these levels, investors may be pricing in a slight chance of an even higher price if **CP Rail** were to up its bid further.

As of right now, CP Rail looks to be reluctant to sweeten up the pot by too much. It's hungry for the assets that would crown the first network to span Canada, the U.S. and Mexico. But management appears confident that regulators will stay on its side and allow it to get a better deal without having to loosen up the purse strings to exceed CN Rail's steep US$34 billion offer.

Nobody knows how the bidding war will unfold. But I think CN Rail is a bargain whatever happens. I think CP will ultimately walk away as winner of KSU, and CN Rail stock could find itself back to its all-time highs, as chances of the pricey deal fade.

Now off just shy of 10%, CN Rail has already corrected, offering correction seekers a chance to back up the truck, even as the broader markets continue hitting new all-time highs. With a wide moat and exceptional managers running the show, I think that any dip is worth at least nibbling on. The Dividend Aristocrat, which yields 1.83%, will keep hiking its dividend, regardless of what ends up happening with KSU.

TD Bank: A relative laggard that could soar

TD Bank (TSX:TD)(NYSE:TD) plunged 8% in the summer, as the relief rally ran out of steam. Although the stock has since recovered most of the ground lost in the semi-correction, I still think TD Bank represents one of the better Dividend Aristocrat bargains in the markets today.

In a prior piece, I'd summarized catalysts that were likely to propel TD stock to much higher levels. Although the improved environment bodes well for all banks, I think TD looks by far the cheapest, with shares trading at just north of 11 times trailing earnings.

Year to date, TD stock is up 20%, pretty much in line with the TSX. Meanwhile, many of its peers, most notably **CIBC**, are up by way more (CIBC is up over 38% YTD!). Although still beating the market, TD is a relative laggard, and it really doesn't deserve to be, given it has some of the best managers out there.

As big bank dividend hikes get the green light again, I'd look for TD to deliver a very generous hike that could lure investors that sold in the depths of March and April 2020 right back into the name. TD is a Dividend Aristocrat, and the fundamentals are still as sound as ever, despite the relative discount on shares.

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