Canadian Stocks to Buy Now: 2 Top Dividend Picks

Description

After a first half of the year full of "stealthy" rolling correction, there remain a number of top Canadian stocks to buy now if you seek deeper value. In this piece, we'll have a look at two top picks in very different sectors. One name is a REIT that looks far too cheap, given its robust funds from operations (FFOs), pandemic resilience, reopening upside, and handsome yield. Another name is an incredible high-growth company that's on the cusp of a breakout after slogging through the first half of 2021.

So, without further ado, let's jump into the two Canadian stocks to see which is the better buy right now.

IA Financial: A TSX dividend pick for deep-value investors

When it comes to the Canadian insurers, **IA Financial** (TSX:IAG) is typically a name that's last on the list of companies to come to mind. Why? It's not because IA is an inferior company to its peers in the insurance space.

Heck, you could argue that it's better if you're looking for domestic insurance and wealth management or additional downside protection versus the likes of other fickle insurers come the next economic downturn. Indeed, IA offers a distinct flavour in the non-bank insurance space, but it's a flavour that I believe is strongly underrated. As a result, the stock seems severely undervalued, given the calibre of management and the long-term growth you'll get from the name.

IA isn't the fastest-growing insurer out there. It won't make you rich and it isn't heavy into the booming Asian market, as its bigger brothers are. Moreover, the dividend is a deficient 2.7%. So, there's no growth and not much in the way of income. Why bother, right?

In prior pieces, I've actually praised IA's management team for keeping the dividend at a reasonable level such that the odds of a reduction in a crisis or recession are minimized. Undoubtedly, the lower yield leaves IA at a disadvantage, as many investors look to the insurers for a source of big passive income. In any case, value investors have a lot to love with IA. The Canadian stock trades at 9.5 times trailing earnings today, which is quite absurd. I don't view it as a value trap. I think it's deep value hiding in plain sight. The recent 7% pullback in the Canadian stock, I believe, is a great buying opportunity for investors who seek value above all else.

TD Bank: A Canadian stock with a growing dividend

TD Bank (TSX:TD)(NYSE:TD) is another name that went from stud to dog in a matter of two years or so. Like IA, the Canadian bank has a knack for faring better on a relative basis when the inevitable recession hits. Unlike IA, though, TD still offers compelling long-term growth versus its peers and a dividend that's pretty much in line with industry averages.

Right now, the Canadian stock is close to the cheapest I've seen it. At just 9.7 times trailing earnings, investors seem to think the proven banking behemoth is some sort of value trap. I think the reality couldn't be further from the truth. TD is being punished over near- to medium-term headwinds that I expect to fade. As it continues lagging its peers on a performance and valuation multiple basis, I'd look to double down on shares before they have a chance to pull ahead of peers, as they have done under normalized conditions. I think TD stock is an absolute steal here and would prefer it over almost all of its peers in the Big Six.

Simply put, TD is the best bank for your buck.

For now, there's the 3.8% yield that is poised to grow once again, as banks are allowed to lift the bar on their payouts once again.

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