3 Cheap Dividend Stocks for RRSP Investors

Description

The stock market correction is giving self-directed RRSP investors a chance to buy some industry-leading companies at attractive prices.

Let's take a look at three top stocks that might be interesting picks for your retirement portfolio today.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) trades at $65 per share compared to $75 last September.

The dip in the stock price is partly due to a reduction in the range for the 2019 earnings guidance.

What's going on?

When the company reported Q2 2019 results, management said a wet planting season in the United States and some delayed purchases from China have resulted in anticipated earnings-per-share for the year of US$2.70-$3.00 compared to the previous estimate of US$2.80-3.20.

This is still above the US$2.69 per share the company generated in 2018.

Nutrien anticipates a stronger second half as farmers react to expected higher prices for crops. The momentum should carry into 2020.

Nutrien has increased its quarterly dividend twice in the past year, from US$0.40 to US$0.45 per share, so management appears comfortable with the revenue and earnings outlook.

Additional hikes should be on the way as crop nutrient prices improve. Potash demand is robust and the price appears to have turned the corner after a multi-year downturn.

Beyond 2020, Nutrien should be an attractive stock for a buy-and-hold portfolio. The world populationis expected to rise nearly 30% by 2050, which means growers will have to produce significantly morefood while urban expansion eats away at farmland.

Further weakness in the broader stock markets could push Nutrien toward the $60 low we saw last December, but investors might want to start nibbling today and look to add to the position on any additional downside.

The current dividend provides a yield of 3.6%.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is an interesting pick among the Canadian banks in that it might be the most attractive one to own in the current environment.

The bank has a balanced revenue stream coming from personal and commercial banking, wealth management, and capital markets activities.

The U.S. division has more than 500 branches and provides a nice hedge against any potential downturn in Canada. When the U.S. earnings are converted to Canadian dollars, the bottom line can get a nice bounce during periods where the American currency is strengthening against the loonie.

Bank of Montreal has paid a dividend for 190 straight years. The current distribution provides a yield of 4.5%.

The stock is trading close to 10.5 times trailing earnings, which appear cheap given the strength of the Canadian and U.S. economies.

Suncor

Suncor Energy (TSX:SU)(NYSE:SU) is also trading at a cheap price. The downturn in the energy sector continues to put pressure on the stock, but Suncor isn’t impacted as heavily as the pure-play producers.

Why?

The company’s integrated business structure includes refining and retail divisions that provide a revenue hedge when oil prices drop.

Suncor is one of those companies that tend to benefit when the sector hits a rough patch, as it has the balance sheet strength to acquire assets when they go on sale.

Management is taking advantage of the drop in the share price to buy back stock. At the same time, investors received a 16.7% increase in the dividend this year and more gains should be on the way as production increases in 2020 and beyond.

The stock price is down to $37 compared to $54 last summer, so there is some nice upside potential on the next oil rebound.

In the meantime, investors can pick up a 4.5% yield.

The bottom line

Nutrien, Bank of Montreal, and Suncor all pay safe dividends that should continue to rise. The stocks appear cheap right now and should be attractive picks for a buy-and-hold RRSP portfolio.

Other oversold stocks are also worth considering today.

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