TFSA Investors: 2 Top TSX Index Dividend Stocks to Buy During a Market Crash

Description

The pullback in the Canadian stock market this week is giving buy-and-hold TFSA investors an opportunity to pick up top-quality dividend stocks at attractive prices.

What's going on?

Fears that the coronavirus is going to trigger a global recession are mounting, and that has investors hitting the sell button on concerns their portfolios might take a hit.

At the time of writing, the TSX Index is down roughly 11% in the past week. That's a big drop in a short period, and more downside could be on the way. However, it is important to take a look at the big picture. Equity markets were arguably overbought, so a healthy correction isn't a surprise. The drop in recent days simply brings the Canadian market back to where it was at this time last year.

TFSA investors who are searching for deals to add to income portfolios or self-directed pensions funds are starting to see some good opportunities.

Let's take a look at two top Canadian dividend stocks that deserve to be on your radar.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades at $69.50 per share compared to nearly $75 earlier this month and $84 at one point in 2017. At the current price, investors can pick up a 5.2% dividend yield.

The bank just reported decent results for fiscal Q1 2020. Adjusted net income came in at $2.34 billion — an increase of 2% compared to the same period in 2019. Diluted earnings per share rose 5% to $1.83 supported by a 5% gain in overall revenue.

Canadian banking operations saw adjusted net income increase 5% in the latest quarter. The international banking operations, which are primarily located in Mexico, Peru, Colombia, and Chile, saw adjusted net income dip 4% once you account for divestitures.

The newly formed global wealth management group saw adjusted net income rise 11%.

Bank of Nova is well capitalized, finishing the quarter with a CET1 ratio of 11.4%. This means the bank has adequate reserves to ride out some rough financial times.

The stock now trades at an attractive 10.2 times trailing earnings. Investor with a long-term outlook should be comfortable taking a position at this point, and any further downside should be viewed as an opportunity to add to the holdings.

BCE

BCE is trading around $59.50 per share at the time of writing compared to nearly $65 a week ago. The company reported solid results for 2019 and anticipates slow and steady growth to continue this year.

The board just raised the dividend by 5%. Investors who pick up the stock today can get an attractive 5.6% yield.

BCE is a powerhouse in the Canadian communications industry with world-class wireless and wireline network infrastructure providing people and businesses across the country with mobile, internet, and TV services. BCE also has a media division that owns sports teams, a TV network, specialty channels, radio stations, and retail operations.

The company’s investment in its fibre-to-the-premises program should help protect its competitive advantage while ensuring customers have access to the broadband they need for video streaming and gaming.

BCE generates solid free cash flow to support the generous dividend and the business should benefit from falling bond yields and anticipated cuts to interest rates.

The bottom line

Buying top-quality dividend stocks during market corrections can boost the income you get on your savings and set the TFSA portfolio up for strong potential gains when the recovery occurs.

If you are searching for high-yield stocks to add to your income fund or pension portfolio, BCE and Bank of Nova deserve to be on your radar right now.

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