TFSA Income Investors: 2 Top Dividend Stocks to Buy on a Market Pullback

Description

The 2020 market rally caught most people off guard over the past two months. Income investors who missed the March and early April deals are now wondering which dividend stocks are still attractive buys for a TFSA income portfolio.

Let's take a look at two top dividend payers that deserve to be on your radar when the next pullback occurs in the market.

Telus

Telus (TSX:T)(NYSE:TU) has a long history of raising the dividend twice per year. Investors typically see the payout increase 8-10% annually. The uncertainty created by the pandemic lockdowns means dividend investors might have to wait until 2021 for the next hike.

Despite the challenges in the market today, Telus deserves to be on your watch list.

The company will likely report a steep drop in phone sales for Q2, but the opening of malls across the country should bring buyers back in the coming months. On the networks side, Telus operates world-class wireless and wireline infrastructure that provides Canadians with mobile, internet, and TV services. Lockdowns have forced people to transition to home offices and that could drive growth in plan upgrades.

The most interesting opportunity could be Telus Health. The division is Canada's leading provider of digital health solutions to doctors, hospitals, and insurance companies. The group saw demand for its products and services surge in the past three months. This could be the trigger for widespread expansion of digital health across Canada.

Telus traded below $20 per share at the March bottom. The stock currently sits at $24.30 and provides a 4.8% yield. Investors might want to start nibbling below $24 and increase the position on any additional downside.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) traded for $74 in February and dropped below $50 at the lowest point during the March crash. The share price is back up to $60 at the time of writing, supported in recent days by a broad-based surge in the **TSX Index**.

Bank of Nova Scotia gets roughly 30% of its income from the international operations. The foreign assets are primarily located in Mexico, Peru, Chile, and Colombia. The pandemic hit Latin America later than Canada and the United States. Experts say it could be weeks before Mexico and some other members of the Pacific Alliance trade bloc hit their peak COVID-19 cases.

As a result, there is still some uncertainty as to how the pandemic and lockdowns will hit Bank of Nova Scotia's results in fiscal Q3 and Q4.

Once the Pacific Alliance countries get through the pandemic, there should be decent upside potential. All four economies rely heavily on strong commodity prices. Oil is already in recovery mode with WTI trading at US$38 compared to a brief dip into negative territory in April.

Copper, which is important to Peru and Chile, could see a strong recovery in 2021 once fiscal stimulus measures start to drive economic growth around the world.

Bank of Nova Scotia's dividend should be very safe. Investors who buy now can pick up a 6% yield. Any drop in the stock price back toward $55 or lower should be viewed as buying opportunity. Five years from now, the stock could easily be back above $75.

The bottom line

Income investors still have attractive options to add top dividend stocks to their portfolios. Telus and Bank of Nova Scotia should be solid picks for buy-and-hold investors at current prices and would be attractive additions on any additional weakness.

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