3 Top TSX Dividend Stocks to Buy in October 2020

Description

Globally, the stock market is doing pretty well, considering the continuation of the global COVID-19 pandemic. The travel and hospitality industries are bearing the majority of the pain from the health crisis. Nevertheless, unemployment rates are falling, and the world is returning to a new normal.

Stock market downturns tend to be quick. Then the stock market gradually rises again. We might be amid this gradual rise today.

That being said, now is the best time to buy stocks for your Tax-Free Savings Account or Registered Retirement Savings Plan. Here are three top **Toronto Stock Exchange** dividend stocks to buy in October 2020.

Bank of Nova Scotia stock: A top bank stock dividend payer

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) fell to $46.38 during the March market sell-0ff from a 52-week high of $76.75. At the time of writing, investors are trading the bank stock for $56.43 per share. The annual dividend yield would add excellent income to your retirement portfolio at 6.38%.

The provision for credit losses (PCL) has been rising quickly during the COVID-19 pandemic. For the nine months ended July 31, 2020, Bank of Nova Scotia reported a PCL of $4.953 billion, 2.18 times more than the same period in 2019. For the same nine months in 2019, the bank reported a PCL of only $2.274 billion.

Rising credit losses would explain why the Bank of Nova Scotia is still trading under its pre-pandemic high. The COVID-19 pandemic has put many Canadian families out of work. As economic stimulus measures wane globally, these consumers are struggling to pay mortgages, credit card bills, and student loans.

Lately, the stock market seems to be correcting upward with financial stocks leading the way. That being said, now may be the time to buy bank stocks on the Toronto Stock Exchange while prices are still low.

Royal Bank of Canada: A safe bank stock for your TFSA

Royal Bank of Canada (TSX:RY)(NYSE:RY) fell from a 52-week high of $109.68 to a 52-week low of $72 during the March 2020 market sell-0ff. At the time of writing, the bank stock is trading for $97.35 per share. The dividend yield is strong at 4.44% annually.

Like the Bank of Nova Scotia, Royal Bank of Canada is also struggling with climbing default rates. The provision for credit losses (PCL) climbed to $3.924 billion for the nine months ended July 31, 2020. That's almost 2.9 times the $1.365 billion of credit losses reported for the same period in 2019.

Still, Royal Bank of Canada is reporting a lower PCL for this year than Bank of Nova Scotia. While consumers are struggling to make their payments on loans and credit card debt, the COVID-19 pandemic won't last forever. As the world returns to normal, more people will go back to work and normal credit default rates will resume.

Bank of Montreal: Reports lower PCL

Bank of Montreal (TSX:BMO)(NYSE:BMO) fell to $55.76 during the March market sell-0ff from a 52-week high of $104.75. At the time of writing, investors are trading the bank stock for $81.78 per share. The annual dividend yield is noteworthy at 5.18%.

Bank of Montreal reported the lowest PCL year to date during 2020. For the nine months ended July 31, 2020, the bank reported a total of $2.521 billion in PCL. Meanwhile, the Bank of Montreal reported a PCL of only $619 million for the same period in 2019.

Canadian banks are some of the most secure in the world. The banks are well prepared to handle higher default rates during the COVID-19 pandemic. Moreover, financial stocks are a leading industry in the stock market today.

In particular, Bank of Montreal is a top TSX stock to buy in October given its lower reported PCL and high dividend yield.

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BMO (Bank Of Montreal)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:RY (Royal Bank of Canada)

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