2 Canadian Dividend-Growth Stocks to Buy on the Dip

Description

The TSX Index may be flying high and flirting with new all-time highs, but not every stock has participated in the epic rally to the same extent. Many names, most notably the high-growth tech stocks, have suffered a correction, as the broader Canadian index proceeded higher in an impressive and steady fashion.

Moreover, a handful of high-quality Canadian dividend-growth stocks have also been on the receiving end, as the market continued its rally. Now, we're not talking about distressed firms whose fundamentals have changed drastically for the worse due to the pandemic.

We're talking about some of the highest-quality TSX stocks out there — the bluest of blue-chip darlings, some of which have sold off, likely because Mr. Market is making a blunder with the pricing of shares at close to their intrinsic value. In due time, I expect Mr. Market's mistakes to be corrected to the upside. In the meantime, the basket of energy, materials, and financial stocks are likely to continue doing most of the heavy lifting for the market averages.

Without further ado, let's have a closer look at two dividend-growth stocks that I'd look to buy on sale, as their shares sag in an otherwise robust market.

CN Rail

CN Rail (TSX:CNR)(NYSE:CNI) is a great Canadian railway that really needs no introduction. Shares have been stumbling in recent months, thanks primarily to the acquisition of **Kansas City Southern** in a historic (and expensive) rail merger. Undoubtedly, investors have sticker shock over the US$34 billion price tag that CN Rail will have to pay to steal **CP Rail's** lunch.

Bidding wars, sweetening the pot for M&A, and all the sort are not the formula for creating long-term shareholder value. In fact, investors are right to be worried about the possibility that CN Rail has overpaid. Fights for takeover targets tend to transfer value from shareholders of the acquirer to acquiree. Still, I think investors willing to hang in there could do very well over time, as CN Rail gets a chance to prove that the price paid for KSU was not as hefty as it seemed.

CN Rail has some of the best managers in the business, and the synergies from KSU, I believe, have a good chance to make the big acquisition worthwhile. The economic environment hasn't looked this good in quite a while. Given this, I'd argue that the odds of value destruction resulting from the deal are lower than most think. With a nearly 2% yield after the KSU-induced pullback of 13%, I'd back up the truck here, because CN Rail and its dividend could increase at an above-average rate over the next decade.

Manulife Financial

Manulife Financial (TSX:MFC)(NYSE:MFC) is fresh off an 11% correction from its 100% peak-to-trough rally. I think it's a correction that should be taken advantage of by investors who seek above-average capital gains and a growing dividend.

The main attraction to the top insurer is the Asian insurance and wealth management segment, which could fuel a new breath of growth into the company. As Fool Amy Legate-Wolfe pointed out, China's middle class is booming. And that alone makes Manulife an incredible Canadian way to expose your portfolio to the incredible growth to be had outside Canada.

The stock trades at just 9.1 times earnings, with a juicy 4.62% yield that's likely to grow at a double-digit percentage rate if all goes well with the global recovery from the COVID crisis.

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