2 Top TSX Dividend Stocks to Buy on a Pullback in October

Description

The market volatility that occurred through September could continue over the next few weeks. Pullbacks provide dividend investors with good opportunities to buy top **TSX s**tocks at cheap prices and some already look undervalued.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is up 15% in 2021. That's a good return, but the stock has underperformed its Canadian peers this year.

The reason might be due to the bank's international operations focused on Latin America. Bank of Nova Scotia has built up a large presence in Mexico, Colombia, Peru, and Chile over the past decade. The pandemic continues to hit these countries hard and it will take some time for the economy to fully recover. Ongoing political uncertainty might also be keeping some investors on the sidelines.

While near-term risks remain, the long-term opportunities for Bank of Nova Scotia in the four Pacific Alliance countries remain attractive. The trade bloc is home to more than 230 million consumers and banking penetration is much lower than in Canada. As the middle-class expands, demand for loans and investment products should grow.

Bank of Nova Scotia already generates solid profits from international businesses. A global economic recovery is starting to boost commodity prices, which is positive for the four countries. Oil production and metals mining, for example, are important drivers of the Pacific Alliance economies.

Bank of Nova Scotia trades at a reasonable 11 times trailing 12-month earnings at the time of writing and offers a solid 4.6% dividend yield.

The bank is sitting on excess cash it built up to ride out the pandemic. Deployment of the extra funds could come in the form of acquisitions, dividend hikes, and share buybacks next year.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility company with $56 billion in assets located across Canada, the United States, and the Caribbean.

The company owns power generation, electric transmission, and natural gas distribution businesses. These assets primarily operate in regulated markets, so revenue and cash flow tend to be predictable and reliable. That's important for dividend investors who rely on the payouts for income or to grow a retirement portfolio.

Fortis has a $19.6 billion capital program in place that is expected to boost the rate base by a third from 2020 to 2025. The resulting increase in revenue and cash flow should support average annual dividend increases of 6% over the next four years.

Fortis raised the dividend in each of the past 47 years, so there is a good track record in place. The stock currently trades near $55.50 per share compared to the 2021 high of around $59. Investors can already pick it up on a dip and should view further weakness as a buying opportunity. At the time of writing the dividend provides a 3.9% yield.

The bottom line

Bank of Nova Scotia and Fortis are top TSX dividends stocks that should deliver strong distribution growth in the next few years. If you have some cash to put to work when the market corrects, these stocks deserve to be on your radar.

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