TFSA Passive Income: 2 Cheap TSX Dividend Stocks to Buy Now

Description

The **TSX Index** is near its record high, but a few top Canadian dividend stocks have pulled back in recent weeks and now trade at attractive prices.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company with $56 billion in assets located in Canada, the United States, and the Caribbean. The company gets most of its revenue from regulated businesses that include power generation, electricity transmission, and natural gas distribution.

With the TSX Index currently enjoying its strongest rally since 1985, there is a good chance we will see a healthy correction in the coming months. Fortis tends to hold up well when the market hits a speed bump, so it is a good defensive pick to diversify a portfolio.

The company is set to update its five-year capital program when the Q3 results come out at the end of this week. The current capital program of $19.6 billion is expected to boost the rate base from $30.5 billion in 2020 to $40.3 billion in 2025. This will drive revenue and cash flow growth to support average annual dividend increases of 6% over that timeframe.

Fortis has other projects under consideration and could make an acquisition in the next couple of years to boost growth. The company has a solid track record of doing strategic deals that complement the asset portfolio.

The stock currently trades near $55 per share compared to the 2021 high above $59. Investors who buy the shares today can pick up a 3.9% yield.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) owns a large portfolio of renewable energy facilities in Canada, the United States, and Australia.

The businesses include hydroelectric, solar, and wind assets. TransAlta Renewables also has gas-fired power plants and is growing its presence in the power storage market with a solar-battery project.

TransAlta Renewables expands its asset portfolio through a combination of acquisitions and organic developments. The company recently announced a deal to buy a wind farm in North Carolina. Additional deals could be on the way. The renewable energy sector is expected to consolidate in the next few years, as utilities and asset management firms seek out ESG investments.

Results for Q2 came up short due to unplanned downtime at a gas-fired power plant. In addition, the recent collapse of a wind tower in New Brunswick has forced the company to shut down the wind farm until repairs are made and the other units are inspected. This will hit the current quarterly revenue.

Despite the recent challenges, the long-term outlook is positive, and the drop in the share price might be overdone. TransAlta Renewables trades near $19 per share at the time of writing compared to $24 in early January 2021.

Investors who buy the stock at the current price can pick up a solid 4.9% dividend yield.

The bottom line on top TSX stocks for TFSA passive income

Fortis and TransAlta Renewables appear undervalued right now in an otherwise expensive market. The stocks pay attractive dividends and should be solid holdings for a TFSA focused on passive income.

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