2 Top TSX Dividend Stocks to Buy on the Recent Pullback

Description

Dividend investors can boost their returns by picking up top TSX dividend stocks on dips.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a giant in the Canadian energy patch with oil, natural gas, and gas liquids operations that span the full spectrum of the hydrocarbon sphere. The company has oil sands, conventional heavy oil, conventional light oil, and offshore oil production. In addition, Canadian Natural Resources is a major producer of natural gas and owns vast land portfolios in key natural gas plays in Canada.

WTI oil has doubled in value over the past 12 months. Natural gas is trading near multi-year highs. The result is a revenue and profits tidal wave for CNRL and its investors.

The board raised the dividend by 11% in 2021. Based on recent payout hikes announced by other oil producers, the distribution could grow by a much larger amount in 2022. In its Q2 2021 earnings report CNRL said it expected to generate free cash flow of up to $7.8 billion for 2021. The sharp rise in oil and gas prices in the past few months will likely mean the company hits or exceeds the top end of the target.

The stock price has pulled back a bit in recent days due to the dip in the price of oil. WTI trades near US$82 per barrel at the time of writing compared to the recent high around US$85. Any additional weakness in CNQ stock should be viewed as a buying opportunity.

The Q3 2021 earnings results come out on November 4. Investors who are bullish on oil and natural gas prices heading into 2022 might want to buy the stock before the Q3 report is released. If the board decides to announce a major dividend increase the stock could catch a new tailwind.

CNRL trades near $51 per share at the time of writing and offers a 3.7% dividend yield.

Manulife Financial

Manulife (TSX:MFC)(NYSE:MFC) is a leader in the Canadian insurance sector. The company also has insurance and wealth management operations in the United States under the John Hancock brand. In addition, Manulife is in Europe and growing its operations across Asia.

The Asia business likely holds the best opportunities to drive higher revenue and profits in the coming years. This region has a massive population base and a steadily growing middle class. As personal wealth increases, demand for insurance often expands.

Manulife is also targeting institutional clients that require management of health benefits or pensions.

The company's Q2 2021 results came in strong with all segments reporting positive gains. Core earnings rose 18% to $1.7 billion. Manulife releases Q3 2021 earnings results on November 3. The numbers should also be solid, supported by continued gains in equity markets and the global economic recovery.

Looking ahead, Manulife is expected to benefit from anticipated interest rate hikes. The Bank of Canada recently moved up its first planned rate increase to the first half of 2022. Analysts forecast a steady pace of rate increases once the process begins.

Higher rates tend to benefit insurance companies. They need to keep significant cash available to cover potential claims and rising rates normally boost returns on fixed-income investments.

Manulife trades near $24.60 per share compared to the 2021 high around $27.60. Investors who buy at the current price can pick up a 4.5% dividend yield.

The bottom line on top dividend stocks

CNRL and Manulife are leaders in their respective industries. The stocks look attractive at current prices and should be solid buy-and-hold picks for a dividend-focused portfolio.

CATEGORY

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2. Investing

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CNQ (Canadian Natural Resources Limited)
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