2 Cheap TSX Dividend Stocks to Buy in November

Description

The overall stock market looks expensive, but investors can still find some top TSX dividend stocks that currently appear undervalued.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) trades near $24.60 per share compared to the 2021 high around $27.50. Investors who buy the stock at the current price can pick up a solid 4.5% dividend yield and might see a decent increase to the payout in 2022.

Manulife operates insurance and wealth management businesses in Canada, the United States, Europe, and Asia. Large companies use the firm to manage their group benefits plans. Individuals have life insurance policies or investments managed by the company. In the United States, Manulife primarily operates under the John Hancock brand.

Investors should focus on the opportunities for the company in Asia. Manulife has operations in China, Japan, Indonesia, Malaysia, and the Philippines, among others. As the middle class expands in many of these countries, the demand should increase for insurance and investment products.

Manulife reported solid Q2 2021 numbers and the Q3 2021 results should be positive as well. The company is scheduled to report Q3 results after the close on November 3. Any weakness in the share price on the earnings announcement should be viewed as a buying opportunity.

Manulife pays a quarterly dividend of $0.28 per share. The board didn't raise the payout in 2020 or 2021 due to government restrictions put on banks and insurance companies, but a boost is likely on the way for 2022. Interest rates are expected to start creeping up in 2022 and could continue to rise for the next two or three years. In that scenario, Manulife benefits from earning higher returns on cash it has to set aside to cover potential insurance claims.

The stock looks cheap right now and is a good pick for investors who like financials but want to avoid the housing risks connected to the banks.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) trades at $18.30 per share compared to the 2021 high near $24.50. The stock has come under pressure in recent months and now offers a 5.1% dividend yield.

The company's Q2 2021 results missed expectations due to unplanned down time at a gas-fired power station. A drop in wind power also hit revenue. The recent extension of the pullback is the result of a collapsed wind tower in New Brunswick. The unit had a structural fault and the whole group of turbines on the project are currently shut down until all the towers can be assessed.

The final reason for the stock's weakness might be due to anticipated rate hikes in 2022. The Bank of Canada intends to start raising interest rates as early as April next year. Higher rates can be a headwind for utility stocks.

With the wave of bad news hitting the share price in the past few months, TransAlta Renewables now looks oversold. The distribution should be safe, and the company continues to add new assets through acquisitions and internal projects to drive growth.

The bottom line on cheap dividend stocks

Manulife and TransAlta Renewables pay attractive dividends. The stocks appear undervalued today in an otherwise expensive market and should be solid picks for a portfolio focused on passive income.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:MFC (Manulife Financial Corporation)
3. TSX:RNW (TransAlta Renewables)

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