2 Top TSX Dividend Stocks to Buy in the Next Market Correction

Description

The TSX Index is due for a healthy pullback. Investors who missed the big rally in 2021 are wondering which top Canadian dividend stocks would be good to buy in the next market correction.

Suncor

Suncor (TSX:SU)(NYSE:SU) already looks cheap, even though the stock is currently trading at its highest point in 2021.

The energy company fell out of favour in 2020 when it slashed the dividend by 55% to protect cash flow. Suncor faced a dire situation in the early months of the pandemic. Oil prices plunged, as demand for fuel dried up. Suncor is not only an oil producer; it also has refineries that turn crude oil into fuel and operates roughly 1,500 Petro-Canada retail locations.

The rebound in the price of oil in 2021, and recovering fuel demand in recent months has triggered a sharp rebound in revenue and cash flow for Suncor. Funds from operations surged to $2.6 billion in Q3 2021, and Suncor reported more than $1 billion in operating profit.

The price of oil remains elevated, despite the recent announcement that the U.S. government and other countries intend to release oil from strategic reserves to try to bring down fuel costs. As supply slowly ramps up in the coming months oil prices might level off, but demand for fuel is expected to continue its recovery through 2022. That bodes well for all of Suncor’s operations.

The stock trades near $33.75 per share at the time of writing. Suncor was $44 per share in early 2020 when oil traded for significantly less that it does today. Given the strong recovery in fuel demand expected in 2022, the stock could return to the $40 mark in the first half of next year.

Suncor’s board recently raised the dividend by 100%, bringing the payout back to the 2019 level. The current distribution provides a 5% dividend yield.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is one of those stocks you can simply buy in a dividend portfolio and forget for decades.

The utility company owns assets in Canada, the United States, and the Caribbean. Nearly all of the revenue comes from regulated businesses. These include power generation, electric transmission, and natural gas distribution. Fortis is working on a $20 billion capital program that will increase the rate base by a compound annual rate of about 6% over the next five years.

The resulting increase in cash flow should support the board's plan to increase the dividend by an average of 6% each year through 2025. Fortis has additional projects under consideration that could get added to the development program and potentially boost size of the dividend hikes or extend the divided-growth guidance.

The company raised the distribution in each of the past 48 years. That's a great track record that is set to continue.

At the time of writing, the stock trades near $56 per share and provides a 3.8% yield.

The bottom line on top TSX dividend stocks to buy on a market correction

Suncor appears undervalued today and should be a good stock to buy on any weakness. Fortis is a great defensive pick and tends to bounce back quickly every time the market corrects in a meaningful way. When the next market rout occurs, these stocks deserve to be on your radar.

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aswalker