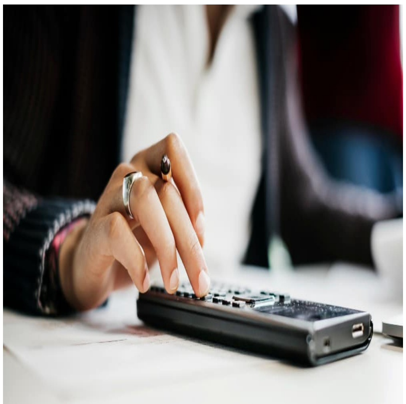

TFSA Investors: 2 Cheap TSX Dividend Stocks to Buy Now for Passive Income

Description

The market pullback is giving TFSA investors a chance to buy some top TSX dividend stocks at undervalued prices for a portfolio focused on passive income.

Russel Metals

Russel Metals (TSX:RUS) owns steel distribution centres and metal service centres and has an interest in a subsidiary that supplies the energy sector.

Higher steel prices and increased demand due to the rebounding economic conditions in Canada and the United States led to strong performances from all of the business segments in Q3 2021 compared to the same period in the previous year. The Q4 numbers should be solid as well, and Russel Metals should benefit from improved supply chain conditions in 2022.

The coming infrastructure boom and improved demand in the energy products segment should extend the recovery beyond 2022. Construction could ramp up, as labour conditions and commodity prices ease. Oil and gas producers will start to spend more on capital projects to capture high prices.

Russel metals pays an annualized dividend of $1.52 per share. That’s good for a yield of 4.9% at the current share price near $31. The stock traded as high as $37.50 in the past year, so investors have a chance to buy Russel Metals on a decent dip right now and collect the generous payout while you wait for the next rebound.

Suncor

Suncor (TSX:SU)(NYSE:SU) is generating significant profits in the current oil market conditions, and management did a good job last year of using the excess cash to reduce debt and buy back the undervalued stock. Suncor will likely report that it finished 2021 with a reduced debt load it hadn't expected to reach until 2025. This positions the company to allocate more cash to share buybacks and additional dividend increases in 2022.

Suncor is already repurchasing up to 7% of its stock under the current repurchase plan. The board raised the dividend by 100% when the Q3 2021 results came out, bringing the payout back to the 2019 level. Suncor took a lot of heat from investors when it slashed the distribution by 55% in 2020. Management will want to win back investor confidence this year, so it wouldn't be a surprise to see another robust dividend hike in the first half of 2022, especially with WTI oil trading well above US$80 per barrel.

Oil demand is expected to steadily increase through 2022 as the global economic recovery picks up steam. Analysts are increasingly questioning the industry's ability to bring enough new supply to market to meet the surge. Once airlines get back to full route capacity and commuters start heading to the office, the oil market could get tight. In fact, pundits are calling for a surge to US$100 per barrel.

Suncor trades near $34 per share compared to the recent high above $36.60 and the pre-pandemic price of $44. The dividend provides a 4.9% yield at the time of writing, so you get paid well to wait for the stock to catch its next tailwind. It wouldn't be a surprise to see Suncor stock hit $40 before the end of 2022.

The bottom line on cheap dividend stocks to buy now

Russel Metals and Suncor look cheap after the recent pullbacks. The stocks offer above-average dividend yields and could deliver big total returns through the end of the year. If you have some cash to put to work in a TFSA focused on dividends and passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:RUS (Russel Metals)
3. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/28
Date Created
2022/01/24
Author
aswalker