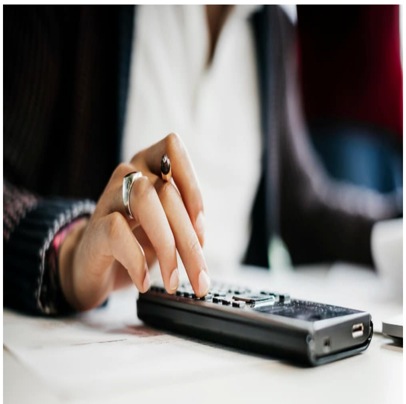

These 2 TSX Dividend Stocks Could Benefit From Rising Interest Rates

Description

In the last few years, central banks across North America and Europe kept interest rates low, as the COVID-19-related challenges hampered economic growth. However, increasing inflationary pressures are prompting the central banks to act now and hike interest rates. At the start of March, the Bank of Canada raised the key interest rate from 0.25% to 0.5%, marking its first rate hike in over three years. On March 16, the U.S. Federal Reserve took the much-anticipated decision to raise interest rates to fight high inflation in the country. Similarly, earlier today, the Bank of England hiked the interest rate for the third time in a row, citing continued inflationary pressures.

TSX stocks to buy amid a high interest rate environment

While the speculations about aggressive monetary policy tightening have recently triggered a massive selloff in TSX tech stocks, some stocks could benefit from a rising interest rate environment. For example, climbing interest rates could boost the profitability of large companies from the insurance and banking sector. That's why it could be the right time for investors to consider adding such stocks to their portfolios now — especially stocks with good dividends.

Let's take a closer look at two such fundamentally strong TSX stocks with strong dividends that could benefit from rising interest rates.

Manulife Financial stock

Manulife Financial (TSX:MFC)(NYSE:MFC) is a Toronto-headquartered multinational financial services company with its prime focus on insurance, wealth management, and retirement solutions. The recent interest rate hikes in the U.S. and Canada are likely to help this Canadian company expand its profitability in the coming quarters. That's why you may consider buying its stock right now. Manulife currently has a market cap of $49.2 billion, as its stock trades with about 6% year-to-date gains at $25.49 per share.

Last year, Manulife Financial reported strong double-digit growth in the core earnings of its insurance business. That's one of the reasons why its total adjusted earnings rose by more than 18% in 2021 to $3.25 per share. Street analysts expect the company to continue reporting strong earnings growth in 2022, which could benefit further from the rising interest rate environment. Apart from continued financial growth expectations, this TSX stock's more than 5% dividend yield makes it even more attractive to buy now.

Bank of Nova Scotia stock

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) could be another great Canadian stock to bet on amid rising interest rates. The bank currently has a market cap of about $112 billion, as its stock trades at $92.73 per share with just 3% year-to-date gains.

In the January quarter, Scotiabank reported 14.4% from a year ago to $2.15 per share with the help of strong loan growth across business segments, good expense management, and positive credit trends. As interest rates in Canada and the U.S. are expected to continue rising in the near to medium term, I expect Scotiabank's profit margins to expand, which could help this TSX stock soar. Apart from these positive fundamentals, its impressive dividend yield of around 4.4% makes it worth buying now.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
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