2 Top TSX Dividend-Growth Stocks That Just Went on Sale

Description

Canadian dividend-growth stocks don't go on sale often. Many smart investors have them at the very top of their watchlists, and they're ready to bounce given the opportunity.

At this juncture, there are quite a few intriguing options to check out, as signs point to a potential economic slowdown by the conclusion of 2024. Is another recession coming in Canada?

It's impossible to tell. Regardless, I think the economy is looking on steady footing today, and it would have to take a big negative surprise to put in on wobbly legs within the next year.

Undoubtedly, the inverted yield curve in the states is a big concern. It's not always right, but it's really accurate as far as indicators go. Given Canada tends to follow in the footsteps of our friends south of the border, I'd argue that it's not a bad idea to ramp up your portfolio's defences with dividend payers, value names, and the top dividend-growth stocks.

Now, the highest-quality dividend growers tend to sport heftier valuation multiples, given their track records. That's why waiting for dips induced by a broader weakening of market sentiment can be a wise idea that can help you outperform the broader TSX Index over the long haul.

Consider **CN Rail** (TSX:CNR)(NYSE:CNI) and **TD Bank** (TSX:TD)(NYSE:TD), two very high-quality dividend-growth stocks that slipped into (near) correction over the past few months. At writing, shares of CNR and TD are sitting down around 9% and 12.5%, respectively, off their recent highs.

CN Rail

CN Rail is the railway to riches for many long-term investors who've made a considerable amount of wealth off of the growing dividend. With rail stocks taking one to the chin in recent weeks, I'd look very closely at a name like CNR.

Yes, CN is an economically sensitive play, and with increased chances of slipping into a recession, CN stock seems like a name to throw in the towel on. That's a big mistake. Why? CNR is far more durable than most would think. It plays a huge role in powering the Canadian economy. Without it, Canada would probably have a tough time posting positive GDP numbers.

Indeed, CN’s strikes have hurt the Canadian economy, a testament to the importance of the national railway. After slipping 9% over the last few weeks, I’d look to buy, even as others get more pessimistic. The company has a new CEO that could pull the lever on efficiencies and take the relatively sluggish railway to the next level.

CN is a great business, and its dividend is poised to grow through another year of inflation and economic uncertainty.

TD Bank

Despite benefiting from higher interest rates, TD Bank stock has fallen into correction just weeks after it announced its acquisition of First Horizon Bank.

Undoubtedly, higher rates have been baked in for well over a year now. It was just a matter of time before the hot bank stock cooled off. Still, I think concerns over slowing economic growth are overblown. Yes, a recession is likelier now that the Fed has its hands over the rate hike button. But is it the likeliest scenario?

Probably not. If there’s no recession and loan growth remains robust, TD will be hard to keep lower, as earnings surge. The stock goes for 11.8 times trailing earnings, which, I believe, makes no sense, given the capabilities of this bank and the potential for the environment ahead to be better than what many investors today are expecting!

TD will keep on growing its dividend, even if a recession hits Canada and the United States. Once the worst is in, though, TD stock could be among the first to recover, leaving dip buyers a brief window to load up. My takeaway? Buy and hold for decades at a time and enjoy the dividend growth as it comes.

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3. TSX:CNR (Canadian National Railway Company)
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