RRSP Investors: 2 Top Dividend Stocks to Buy on Market Weakness

Description

The recent market pullback is finally giving RRSP investors a chance to buy some top TSX dividend stocks at reasonable or even undervalued prices.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) trades near $138 per share at the time of writing compared to the 2022 high above $154. At the current multiple of less than 11 times trailing 12-month earnings, Bank of Montreal stock looks cheap.

Bank of Montreal made it through the pandemic in better shape than feared, and the bank is using the excess cash it built up to make a major acquisition in the United States. Bank of Montreal is buying California-based Bank of the West for US$16.3 billion. The deal expands Bank of Montreal's presence in the U.S. market and gives it a good foundation to expand in California, where 70% of Bank of the West's deposits are located. Bank of the West brings more than 500 branches to complement the existing BMO Harris Bank operations that are primarily focused on the Midwest states.

Bank of Montreal raised its dividend by 25% for fiscal 2022. Another generous distribution increase should be on the way for 2023. The bank is also buying back stock.

Bank of Montreal has given investors a dividend every year since 1829. The current payout provides a 3.85% dividend yield.

Canadian National Railway

CN (TSX:CNR)(NYSE:CNI) is a leader in the North American rail sector. The company has a unique network of tracks that connects to ports on three coasts. CN operates in both Canada and the United States and generates revenue in both currencies. This gives Canadian investors good exposure to U.S. economic growth and the potential gains from a rising American dollar against the loonie.

CN had a tough 2021, but most of the distractions that hurt the stock last year are in the rearview mirror. The company settled a disagreement with a major shareholder that occurred as a result of the bid to buy Kansas City Southern, a smaller U.S. rail company. CN eventually walked away with some extra cash and put a new CEO in place at the beginning of this year. The company is now focused on driving more efficiency into the operations and returning more cash to shareholders.

CN raised the dividend by 19% for 2022. The company is also buying back up to 6.8% of its outstanding stock.

CN trades near $151 per share at the time of writing compared to the 2022 high around $170. As the Canadian and U.S. economies expand, the company should see revenue rise. CN makes good profits in most economic conditions and generates significant free cash flow.

Based on the track record over the past two decades, RRSP investors who buy CN stock on dips tend to see solid long-term returns.

The bottom line

Bank of Montreal and CN are top Canadian dividend stocks that should deliver attractive total returns for self-directed RRSP investors. If you have some cash to put to work, these stocks deserve to be on your radar.

CATEGORY

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2. Investing

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2. NYSE:CNI (Canadian National Railway Company)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CNR (Canadian National Railway Company)

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