Retirees: 2 Cheap TSX Dividend Stocks for Great Passive Income

Description

The market swoon is finally giving income investors a chance to buy some top high-yield dividend stocks at undervalued prices.

Manulife Financial

Manulife (TSX:MFC)(NYSE:MFC) reported Q1 2022 results that missed expectations, and the stock dropped more than 10% on the news. Core earnings came in at $1.6 billion in Q1 2022, down about 4% compared to the same period last year.

The reaction seems overdone. Global wealth and asset management operations saw net inflows of $6.9 billion the three months. The Canadian and U.S. insurance businesses also performed well with new business value (NBV) growth topping 10%.

During the quarter, Manulife closed its deal to reinsure 75% of its legacy U.S. variable annuity business. The completion of the agreement enabled the release of $2.4 billion of capital. Manulife is using a good chunk of the funds to buy back stock under the current share-repurchase plan, which allows the company to buy and cancel as much as 5% of the outstanding shares over a 12-month timeframe. The recent slide in the share price gives the company a chance to accelerate the process.

Asia NBV turned out to be the weak link for the quarter as a surge in COVID-19 infections throughout the region resulted in reduced sales of insurance plans and investment products. This is a short-term setback.

Manulife trades near $22 per share at the time of writing compared to the 12-month high around $28. Investors who buy the stock at the current price can pick up a 6% dividend yield. Manulife increased the distribution by 18% for 2022. Another generous hike should be on the way for 2023.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $55 per share at the time of writing compared to the 2022 high around $59. The company reported solid results for Q1 2022 to extend the recovery it saw last year, as throughput rebounded on the oil pipelines.

The recovery in the energy sector bodes well for Enbridge. Demand for Canadian and U.S. oil and gas is ramping up both domestically and in international markets. A surge in air travel is driving up demand for jet fuel. At the same time, commuters are starting to head back to offices and that trickle could become a flood of cars on the highways again by the end of the year. Enbridge moves crude oil from producers to the refineries and also sends the end products further down the line.

In fact, Enbridge transports 30% of the oil produced in Canada and the United States and 20% of the natural gas used by American homes and businesses. In Canada, Enbridge's natural gas utility businesses serve three million customers.

Enbridge is evaluating new revenue opportunities in carbon capture and storage as well as hydrogen facilities. These could drive steady future cash flow growth on top of the existing capital programs targeted at the renewable energy assets and natural gas distribution expansion.

The dividend should continue to grow at an annual pace of 3-5%. Investors who buy Enbridge stock at the current level can pick up a 6.2% yield.

The bottom line on top stocks for passive income

Manulife and Enbridge look undervalued right now and offer generous dividends. If you have some cash to put to work in a portfolio focused on passive income, these stocks deserve to be on your radar.

CATEGORY

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aswalker