RRSP Investors: 2 Top TSX Dividend Stocks to Buy on the Latest Pullback

Description

The recent correction in the **TSX Index** has provided self-directed RRSP investors with an opportunity to buy some top Canadian dividend stocks at cheap prices.

TD Bank

TD (TSX:TD)(NYSE:TD) trades for $92 per share at the time of writing compared to $109 earlier this year. The market hammered financial stocks in recent weeks amid worries that high inflation and soaring interest rates will cause a recession and trigger a meltdown in the Canadian housing market.

There is certainly a risk of an economic downturn, as the Bank of Canada and the U.S. Federal Reserve raise interest rates to try to bring inflation under control. Soaring mortgage rates will cool off the hot housing market, and if borrowing costs stay elevated for too long there is a chance that property speculators could start dumping homes and condos onto the market. This would potentially accelerate a drop in prices.

The likely outcome is a soft landing for the economy and a gradual decline in residential home prices in the next few years. TD and its peers have strong capital positions to ride out a rough patch and the banks remain very profitable.

TD is using a good chunk of its excess cash to make a major acquisition in the United States. The company is buying **First Horizon** for US$13.4 billion in a move that will add more than 400 branches to the American operations that already run from Maine right down the east coast to Florida. Once the deal is closed TD will be a top-six U.S. retail bank.

The large American presence makes TD a good stock to buy for RRSP investors who want exposure to U.S. economic growth through a leading Canadian company.

TD raised the dividend by 13% for fiscal 2022. Investors should see another generous payout increase announced for fiscal 2023, if not sooner. TD remains a very profitable bank and has attractive growth potential.

At the time of writing, investors can pick up a yield of 3.9%.

Canadian National Railway

CN (TSX:CNR)(NYSE:CNI) trades for close to $144 per share at the time of writing compared to the 2022 high around $170. Buying this stock on dips has historically proven to be a savvy move for RRSP investors.

CN operates a unique rail network that connects the Pacific and Atlantic coasts in Canada to the Gulf of Mexico. This gives CN a competitive advantage when securing business from domestic and international clients.

CN transports lumber, grain, coal, crude oil, cars, fertilizer, and finished goods, among other things. When one segment has a rough quarter, the others normally make up for the slack. CN generates strong profits and good free cash flow in all economic conditions.

The board raised the dividend by 19% for 2022. CN is one of the top dividend-growth stocks on the TSX Index over the past two decades, and that trend should continue. The current yield is only 2%, but investors should focus on the large distribution increases and share-price growth.

The bottom line on top stocks for RRSP investors

TD and CN are leaders in their industries and have strong track records of providing RRSP investors with great total returns. If you have some cash to put to work today, these stocks deserve to be on your radar.

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3. TSX:CNR (Canadian National Railway Company)
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Date
2025/07/06
Date Created
2022/05/15
Author
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