TFSA Investors: 2 Top Oversold TSX Dividend Stocks to Buy in the Current Market Correction

Description

The recent market correction hitting the **TSX Index** is giving self-directed TFSA investors a chance to buy great dividend stocks at undervalued prices.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades for close to $80 per share at the time writing compared to a high of $95 earlier this year. The steep pullback in the stock price appears overdone, and investors who buy at the time of writing can pick up a solid 5% dividend yield. The board raised the dividend by 11% late last year and just bumped it up another 3%.

Bank of Nova Scotia generated solid results in the first half of fiscal 2022. The Canadian banking business benefitted from strong business lending and mortgage growth as companies and homebuyers took advantage of low interest rates. The situation is expected to change now that the Bank of Canada and the U.S. Federal Reserve are raising rates quickly to fight soaring inflation. Home sales have started to decline, and house prices are finally coming off the record highs. Some buyers who maxed out their debt loads at very low rates might be forced to sell their properties and a drop in home prices of 10-15% from the peak is expected.

Overall, however, Bank of Nova Scotia and its peers are not expected to take a big hit as the housing market cools off. Even if prices fall and defaults jump more than anticipated Bank of Nova Scotia has ample capital to ride out some rough times.

Bank of Nova Scotia's international business is extending its recovery after a pandemic hit that drove up provisions for credit losses and hammered profits. The group reported $605 million in net income for fiscal Q2 2022 compared to $420 million in the same period last year.

Bank of Nova Scotia trades for less than 10 times trailing 12-month earnings. This looks cheap right now and suggests the potential housing and economic challenges coming in the next year or two are likely already priced into the shares.

Rising interest rates help banks boost their net interest margins, and this benefit should largely offset the resulting jump in credit losses.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is benefitting from the turnaround in the oil and natural gas sector. Rising fuel demand in North America and overseas is driving strong throughput on Enbridge's oil and natural gas pipelines. The company is investing to take advantage of export opportunities through the purchase of a strategic oil export terminal and the construction of new pipelines to move natural gas to liquid natural gas (LNG) terminals.

Enbridge raised the dividend in each of the past 27 years, and more steady gains should be on the way, supported by rising distributable cash flow. The stock is off the 2022 high and now provides a solid 6.25% dividend yield.

The bottom line on top TSX dividend stocks to buy now

Bank of Nova Scotia and Enbridge look attractive right now for dividends and total returns. If you have some cash to put to work in a TFSA, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker

2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/25
Date Created
2022/06/16
Author
aswalker