2 Cheap TSX Dividend Stocks to Buy in the Market Correction

Description

Investors are getting a chance to take advantage of the market correction in the TSX to buy great dividend stocks at undervalued prices for a self-directed TFSA or RRSP.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) trades near $126.50 at the time of writing compared to the 2022 high around $154.50. Investors who buy the stock at the current price can pick up a solid 4.4% dividend yield and simply wait for the dividend hikes to roll in over the coming years.

Bank of Montreal raised the payout by 25% late last year and increased the dividend again by another 4.5% when it reported the latest earnings results. The generous increases in the payout suggest the management team isn't overly concerned about the impact of a potential economic downturn in the next couple of years.

Bank of Montreal is in the process of getting much larger. The bank is buying **Bank of the West** for US$16.3 billion in a deal that will expand the reach of BMO Harris Bank into California and other states, adding more than 500 branches to the American operations.

In Canada, Bank of Montreal has lower relative exposure to the Canadian housing market than some of its peers. This is important to consider when evaluating bank picks, as mortgage rates soar and house prices decline.

Bank of Montreal has paid a dividend every year since 1829. The stock appears oversold right now and should deliver decent total returns for retirement investors.

Canadian National Railway

CN (TSX:CNR)(NYSE:CNI) trades near $140 per share at the time of writing compared to the 2022 high around $170. The current dividend yield is only about 2%, but investors should focus more on the dividend growth of the stock over the past two decades and the total returns provided by the stock.

The company operates essential transportation services that keep the Canadian and U.S. economies running smoothly. CN moves commodities such as oil, coal, fertilizer, grain, and forestry products. It also transports automobiles and finished goods. CN has an important competitive advantage that helps protect its business. The company is the only North American railway with tracks connecting three coasts.

The business makes good money in all economic conditions, and CN’s dividend is supported by strong free cash flow. Management made large capital investments in new locomotives and additional rail cars in recent years to position the business for growth. The current focus is on returning capital to shareholders.

The board raised the dividend by 19% for 2022. CN is also buying back up to 6.8% of the outstanding stock under the current share-repurchase program.

Long-term investors have done well by buying CN stock on meaningful pullbacks. A $10,000 investment in the company 25 years ago would be worth more than $400,000 today with the dividends reinvested.

The bottom line on top TSX dividend stocks

Bank of Montreal and CN have strong businesses that will continue to grow in the coming years and decades. If you have some cash to out to work in a self-directed TFSA or RRSP, these stocks deserve to be on your radar.

CATEGORY

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