Market Correction: 2 Oversold TSX Dividend Stocks to Buy for the Rest of 2022

Description

The TSX market correction is driving down valuations of stocks across all sectors. Investors who missed the big rally off the 2020 lows are finally getting a chance to buy top TSX dividend stocks at undervalued prices.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) trades for $21.50 at the time of writing compared to $28 earlier this year. The stock now provides income investors with a solid 6.1% dividend yield and a shot at decent capital gains on the next rebound.

Manulife raised the dividend by 18% late last year when the government lifted a pandemic ban on distribution hikes that targeted Canadian financial institutions. Manulife is also repurchasing up to 5% of its outstanding stock with excess cash.

The insurance, wealth management, and asset management firm reported record net income of $7.1 billion in 2021. Results for Q1 2022 came in weaker than expected due to the surge in COVID-19 cases in the United States and COVID-19 lockdowns in Asia. Higher morbidity and mortality claims cut into profits in the American operations, while sales dropped in Asia as a result of the lockdowns across many of the markets Manulife operates in throughout the region.

The worst of the COVID-19 impacts should be behind the company, and Q2 results shouldn't reflect the same challenges. Falling equity markets, however, will likely hit the second-quarter numbers.

On the positive side, interest rate increases in Canada and the United States are driving up the returns Manulife can generate on fixed-income investments. Insurance companies have to set aside significant cash to cover potential claims, so rising interest rates boost the earnings the company can get from these funds. The impact can be meaningful when you are talking about a jump of 2-3% on billions of dollars.

Manulife stock appears oversold. Investors who buy now get a great dividend yield and should be able to generate solid total returns over the long run.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) trades for $58.50 per share at the time of writing compared to the 2022 high above $65. Investors who buy the stock at the current level can pick up a 3.65% dividend yield and simply sit back and wait for the distribution hikes to drive the yield higher.

Fortis operates $58 billion in regulated utility assets that include power generation, electric transmission, and natural gas distribution businesses. These are essential services that homes and commercial buildings need in good and bad economic times. Fortis grows through a combination of strategic acquisitions and internal development projects. The current $20 billion capital program is expected to boost the rate base enough in the next five years to support average annual dividend increases of 6% through at least 2025. That’s strong guidance in the current economic conditions and should provide support for the stock during turbulent times.

Fortis appears oversold right now and should be a strong addition to portfolios focused on generating reliable passive income.

The bottom line on top dividend stocks to buy now

Manulife and Fortis look undervalued right now and should provide steady dividend growth and attractive total returns in the coming years. If you have some cash to put to work in a TFSA or RRSP today, these stocks deserve to be on your radar.

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:FTS (Fortis Inc.)
4. TSX:MFC (Manulife Financial Corporation)

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