TFSA Passive Income: 2 Oversold High-Yield TSX Stocks to Buy on the Market Pullback

Description

The market correction is giving retirees and other TFSA investors focused on tax-free passive income a chance to buy top dividend stocks with growing payouts and high yields at cheap prices.

BCE

BCE (TSX:BCE)(NYSE:BCE) trades below $62 per share at the time of writing and offers a 6% dividend yield. The stock is down from $74 just two months ago, giving income investors a great opportunity to pick up one of Canada's most reliable dividend stocks at a discount.

BCE is attractive in the current environment. The revenue stream is largely derived from mobile and internet service subscriptions that should remain steady, even as the economy heads for a potential downturn. The media and retail revenue is more at risk when businesses and consumers need to trim expenses, but this is a smaller part of the overall business.

BCE continues to invest in network upgrades to ensure customers have the broadband they need for work and entertainment. For example, the fibre-to-the-premises initiative will connect another 900,000 buildings in 2022 with high-speed fibre optic lines. BCE is also expanding its 5G network as part of the next evolution in mobile communications.

The stock looks cheap right now, and investors should see the dividend increase at a pace of roughly 5% per year, based on historical trends.

CIBC

CIBC (TSX:CM)(NYSE:CM) recently completed a two-for-one stock split. The share price currently sits at $64 compared to the split-adjusted 2022 high of $83.75. Bank stocks are down significantly from the peak they hit at the beginning of the year, and while more downside could be on the way in the near term, the drop now appears overdone.

CIBC made good progress in recent years to diversify the revenue stream. The company purchased commercial banking and wealth management businesses in the United States, and more deals could be on the way after the drop in valuations in recent months in the American financial sector.

The steep rise in mortgage rates is expected to slow down the Canadian housing market and trigger a 10-15% drop in prices. The result could be a jump in defaults by borrowers who took on too much debt at lower rates. Things would have to get pretty bad before CIBC takes a meaningful hit, but investors need to keep the risk in mind when evaluating the stock.

That being said, the plunge in the share price likely reflects these concerns at this point, and management appears to be confident that revenue growth across the business will remain strong over the medium term. The board raised the quarterly dividend by 10% late last year and just bumped it up again from $0.805 to $0.83 per share.

CIBC stock trades at an attractive 9.1 times trailing earnings right now and offers investors a decent 5.2% dividend yield.

The bottom line on top stocks for passive income

BCE and CIBC are top TSX dividend stocks with attractive payouts that should continue to grow in the coming years. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BCE (BCE Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)

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
2025/08/23
Date Created
2022/06/20
Author
aswalker