# TFSA Dividend Income: 2 TSX Stocks to Buy on the Dip

### Description

The market correction is providing TFSA investors seeking passive income with another great opportunity to buy top TSX dividend stocks at undervalued prices.



## Emera

**Emera** (TSX:EMA) is a utility company based in Halifax with businesses located in Canada, the United States, and the Caribbean. The $34 billion in assets includes regulated electricity and natural gas transmission and distribution utilities.

Adjusted net income for Q1 2022 came in essentially the same as in the same period last year. Emera expects to spend $3 billion on capital projects this year as part of its $8.4 billion capital program through 2024. The new assets will help boost the rate base by 7-8% and drive revenue and cash flow growth to support dividend hikes of 4-5% per year over this timeframe. That's solid guidance in the current uncertain economic times.

Emera stock trades near $60 per share at the time of writing compared to $64.50 last month. The outlook for the business hasn't changed in recent weeks, so the pullback appears overdone. Investors who buy Emera stock at the current price can pick up a solid 4.4% dividend yield and collect the steady dividend increases in the coming years.

## CIBC

**CIBC** (TSX:CM)(NYSE:CM) trades for $63 per share at the time of writing compared to the 2020 high above $83. All of the Canadian banks have sold off in recent months, as investors worry that high inflation and interest rate increase designed to get inflation under control will trigger a recession in the next couple of years. A steep slowdown in the economy would likely hit bank revenues and reduce profits. Pundits are also concerned that rising mortgage rates could trigger a crash in the Canadian housing market. Analysts expect house prices to fall 10-15%. In the event the drop is much larger, the banks could see loan defaults surge.

CIBC has a higher relative exposure to the Canadian residential property market than its larger peers, so there is added risk for the bank and its shareholders. That being said, CIBC has a strong capital position, and things would have to get really ugly in the housing sector before the bank takes a material hit.

CIBC diversified its revenue stream in recent years through acquisitions in the United States. This helps offset any potential weakness in the Canadian personal banking segment.

At the current multiple of less than nine times trailing 12-month earnings the stock looks undervalued. Investors who buy at this level can pick up a solid 5.25% dividend yield. CIBC raised the dividend by 10% late last year, and the board bumped it up again when CIBC announced the fiscal Q2 2022 results. This suggests management is comfortable with the revenue and profit outlook.



## The bottom line on cheap dividend stocks

Emera and CIBC look oversold right now and pay attractive dividends that should continue to grow in the next few 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.

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**Date**
2025/07/21
**Date Created**
2022/06/27
**Author**
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