Market Correction: 2 Cheap TSX Dividend Stocks to Buy Now for a Self-Directed RRSP

Description

The market correction is giving buy-and-hold investors a chance to pick up some top Canadian dividend stocks at discounted prices for self-directed RRSP portfolios focused on generating attractive total returns.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) is a utility and renewable energy company based in Canada, but with most of its assets located in the United States. The stock trades near $18 per share at the time of writing compared to $20 in April. Investors who buy Algonquin Power at the current level can pick up a 5.2% dividend yield.

The company is in the process of buying **Kentucky Power** for US$2.85 billion in a deal that will significantly shift Algonquin Power's assets more to the regulated utility model. On closing, Algonquin's Power's business mix will be about 80% regulated. The acquisition will raise the regulated rate base by 32% and increase the electricity distribution and transmission infrastructure by 37%.

Algonquin Power reported solid Q1 2022 results. Adjusted net earnings increased 13% to $141 million. The board announced a 6% dividend increase, extending a streak of annual payout hikes that goes back more than a decade.

The drop in the share price appears overdone and investors get paid well to ride out any additional volatility. Algonquin Power is still trading like a renewable energy stock, but it should probably be lumped in with the traditional utility companies that have performed better in the past year.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades near $77 per share at the time of writing compared to $95 in February. The steep drop in the share price occurred as a result of a broad-based pullback in bank stocks.

Investors are trying to figure out if aggressive interest rate hikes by the U.S. Federal Reserve and the Bank of Canada will trigger a deep recession. This would slow down business borrowing and reduce investment and acquisition activities. At the same time, the steep rise in mortgage rates is already hitting the residential housing market in Canada. Pundits fear a crash might be on the way.

These are valid concerns and a recession that triggers a new wave of job losses would be negative for Bank of Nova Scotia and its peers. The likely scenario, however, is a mild recession and a gradual decline in house prices. Bank of Nova Scotia has a strong capital position to ride out some rough times and things would have to get really bad in the property sector before the bank takes a meaningful hit.

Bank Nova Scotia's international operations have bounced back from the pandemic crash and should continue to deliver attractive long-term revenue growth. The international group, which primarily includes operations in Latin American, reported fiscal Q2 2022 earnings of $605 million compared to $420 million in fiscal Q2 2021.

Bank Nova Scotia's board of directors raised the divined by 11% late last year and gave investors another 3% increase when the company reported the fiscal Q2 2022 results. This should be a good sign to investors that management is comfortable with the revenue and profit outlook over the medium term.

Investors who buy the stock at the current price can secure a solid 5.3% dividend yield.

The bottom line on top RRSP stocks

Algonquin Power and Bank of Nova Scotia look cheap right now and pay attractive dividends that should continue to grow. If you have some cash to put to work in a self-directed RRSP focused on total returns, these stocks deserve to be on your radar.

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2. NYSE:BNS (The Bank of Nova Scotia)
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Date
2025/07/23
Date Created
2022/06/28
Author
aswalker