Market Correction: 2 Oversold TSX Dividend Stocks to Buy for Total Returns

Description

The pullback in the TSX is giving value investors a chance to buy top dividend stocks at cheap prices for TFSA or RRSP portfolios focused on generating attractive yields and capital gains.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades for $76.50 at the time of writing compared to the 2020 high around $95. At 9.3 times trailing 12-month earnings the stock now appears undervalued for buy-and-hold investors.

Bank of Nova Scotia made it through the pandemic in solid shape, despite the big hit to the international operations. This group, primarily located in Mexico, Peru, Chile, and Colombia endured a rough ride during the worst COVID-19 months, but the situation is improving, as business gets back to normal and the countries benefit from a recovery in commodities prices, particularly oil and copper.

In fact, Bank of Nova Scotia's international business reported fiscal Q2 2022 net income of $605 million compared to $420 million in the same period in 2021.

The board raises the dividend by 11% late last year when the government ended the pandemic ban on distribution hikes and share buybacks imposed on financial institutions. The board raised the payout by another 3% when Bank of Nova Scotia reported the fiscal Q2 2022 results. In addition, Bank Nova Scotia has increased its share-buyback plan by 50% to 36 million shares. These moves all suggest that management is comfortable with the revenue and profit outlook over the medium term.

Volatility should be expected in the coming months, as investors try to figure out if a recession and a housing crash are on the way. At this point, however, investors can pick up a solid 5.4% dividend yield and look to add to the position on any additional weakness.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) trades for $68.50 compared to the recent high of $74. Investors dumped the stock in recent weeks amid the selloff in the energy sector as oil and natural gas prices gave up some gains. TC Energy, however, doesn't actually produce oil and natural gas, it simply transports the commodities and charges a fee for providing the service.

Oil and natural gas demand continues to recover, and the outlook is positive for the coming years. This is particularly true for Canadian and U.S. exports of liquified natural gas (LNG). Countries around the world are converting power plants that burn coal and oil to use natural gas. In addition, Europe is turning to the United States to provide long-term reliable supplies of LNG to replace its dependence on Russia.

TC Energy has strategic U.S. assets that connect producers in the Marcellus and Utica shale gas plays to the Gulf Coast where LNG facilities ship the fuel. In Canada, TC Energy is building a pipeline to bring natural gas from northeastern British Columbia and Alberta to a new LNG facility on the B.C. coast.

The drop in the share price offers a chance to buy TC Energy on a nice dip and secure a 5.25% dividend yield. TC Energy's $25 billion capital program should drive revenue and cash flow growth to support projected dividend increases of 3-5% per year.

The bottom line on top value stocks to buy for total returns

Bank of Nova Scotia and TC Energy look cheap to buy right now and pay generous dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP focused on total returns, these stocks deserve to be on your radar.

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3. TSX:BNS (Bank Of Nova Scotia)
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Date
2025/09/15
Date Created
2022/06/29
Author
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