



2 Oversold TSX Stocks to Buy in July

Description

The [market correction](#) in the **TSX Index** is finally giving RRSP and TFSA investors a chance to buy top dividend stocks at cheap prices for their income and retirement portfolios.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) trades for \$124 per share at the time of writing compared to more than \$149 earlier this year. The steady decline from the February high caught many investors by surprise.

Why?

Pundits pushed up the share prices of the banks at the beginning of the year on the idea that anticipated interest rate increases designed to tame inflation would boost net interest margins at the banks. This line of thought still has merit, but fears about the potential for a deep recession and a meltdown in the Canadian residential housing market have overpowered the bank bulls.

A recession is now broadly expected, and house prices are already starting to drop from the record highs. How things pan out over the next two years is anyone's guess, but the drop in Royal Bank's valuation is starting to look overdone, despite the headwinds.

The bank's earnings in the first six months of fiscal 2022 are ahead of last year and return on equity remains very strong near 18%. Royal Bank raised the dividend by 11% late in 2021, and the board increased the payout by another 7% when the company reported the fiscal Q2 2022 results. Investors should take this as a sign that the management team isn't too concerned about revenue and profits in the medium term.

Loan defaults are expected to increase in the coming months and through 2023 as over-leveraged households face a steep rise in interest charges, but Royal Bank has a strong capital position to ride out some tough times.

Investors who buy the stock at the current price can pick up a decent 4.1% dividend yield.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) operates 93,000 km of natural gas pipelines in Canada, the United States, and Mexico. The company also has vast natural gas storage sites, oil pipelines, and power generation facilities.

Demand is rising for North American natural gas as Europe seeks to secure reliable long-term supplies to reduce risks of shutdowns from Russia. At the same time, electricity producers around the globe are converting power plants that use coal and oil to burn natural gas, which produces significantly less carbon dioxide.

The liquified natural gas (LNG) market is expected to grow meaningfully in the coming years, and that benefits Canadian and American producers who have vast resources that can be tapped at relatively low cost. TC Energy has the infrastructure in place or under construction to transport the natural gas from the production sites to LNG facilities on the Gulf Coast in the United States and the coast of British Columbia in Canada.

A recent drop in oil and natural gas prices has hit energy stocks quite hard, and the infrastructure stocks got caught up in the selloff. TC Energy is down to \$65.50 at the time of writing compared to \$74 a few weeks ago. The stock looks oversold at this level and now offers a 5.4% dividend yield.

The bottom line on cheap stocks to buy in July

Royal Bank and TC Energy pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TRP (Tc Energy)
3. TSX:RY (Royal Bank of Canada)
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