2 Oversold Great Canadian Dividend Stocks to Buy Now and Own for 20 Years

Description

TFSA and RRSP investors building self-directed portfolios focused on passive income and total returns are getting a chance to buy top TSX dividend stocks at undervalued prices.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) initiated its dividend in 1829, and investors have received a share of the profits every year since that time. The strong dividend growth resumed late last year after the end of a pandemic pause that the government imposed on financial institutions. Bank of Montreal raised the payout by 25% once the ban ended and then increased it by another 4.5% when the bank reported fiscal Q2 2022 results.

Bank of Montreal is in the process of buying **Bank of the West** for US$16.3 billion in a deal that will add more than 500 branches to the American business and give BMO Harris Bank a strong foothold in California.

Bank of Montreal stock is down considerably from the 2022 high amid a steep pullback in the entire banking sector. Investors are concerned that soaring interest rates designed to tame inflation will trigger a recession.

High inflation is already putting a pinch on consumers and rising debt costs could further drive down non-essential spending over the next couple of years. In the event we see a deep economic downturn that causes unemployment to rise there is a risk the housing market could also crash. That’s not the anticipated scenario, but it is worth considering when evaluating bank stocks.

That being said, the risks are likely already reflected in the shares at a price of $123. Bank of Montreal traded as high as $154 per share earlier this year. Investors who buy the stock at this level can pick up a solid 4.5% dividend yield and wait for the next distribution increase.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a leading oil and natural gas producer with a portfolio of assets that includes oil sands, conventional heavy oil, conventional light oil, offshore oil, natural gas and natural gas liquids.

The company typically owns 100% of its Canadian production facilities rather than operating through partnerships. The strategy adds risk during down times, but also gives CNRL the flexibility to more capital quickly to take advantage of changes in commodity prices.

CNRL has increased the dividend annually for more than two decades. The steady distribution growth through the downturns in the oil and gas market shows the quality of the operations and the stability of the balance sheet.

Oil and natural gas demand continues to increase off the pandemic crash and looks set to be strong for several years. High prices are expected to remain in place due to a significant cut in capital expenditures across the industry over the past two years. Global producers have limited capacity to boost output and sanctions against Russian supplies will make the market even tighter through 2023.

CNRL is a profit machine at current oil and natural gas prices. Management is paying down debt, buying back stock, and giving investors generous dividend increases. The Q2 2022 results should come in very strong, and the outlook remains positive for the rest of the year.

CNRL trades near $69.50 per share at the time of writing compared to the 2022 high of $88. The stock appears cheap right now and offers a solid 4.3% dividend yield.

The bottom line on top oversold Canadian dividend stocks

Bank of Montreal and Canadian Natural Resources look cheap right now and pay attractive and growing dividends. If you have some cash to put to work in a TFSA or RRSP focused on income and total returns, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CNQ (Canadian Natural Resources Limited)

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
2022/07/01
Author
aswalker