RRSP Growth: 2 Top TSX Dividend Stocks to Buy on the Market Pullback

Description

The 2022 market correction is giving RRSP investors who missed the big rally off the pandemic lows another chance to buy top TSX dividend stocks at undervalued prices.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades near $75 per share at the time of writing compared to the 2022 high of $95. Investors who buy at the current price can pick up a yield of 5.5% and simply wait for the next rebound in the banking sector.

The stock is down amid fears that an economic slump is on the way in 2023 or 2024. Persistent inflation is eating up household cash, and rising interest rates that are designed to bring inflation under control are pushing up debt costs. The double hit of higher grocery and gas costs with rising mortgage rates will put highly leveraged households with limited excess cash in a tight spot. The result for Bank of Nova Scotia and its peers could be reduced deposits, lower investment demand, and a steep drop in mortgage sales. Loan defaults could also rise, as people struggle to pay bills.

Despite the headwinds, the overall revenue and profit outlook for Bank of Nova Scotia remains solid, and the drop in the share price appears overdone. Rising interest rates will boost net interest margins to help offset some of the negative effects. Bank of Nova Scotia's international business is recovering well from the pandemic crash and helps balance out the revenue stream.

BNS stock could see more downside in the near term, but the stock looks undervalued right now at just 9.1 times trailing 12-month earnings.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) trades near $72 compared to the 2022 high of $88. The stock is up more than 30% on the year, even after the pullback, but still looks cheap for investors who are underweight energy stocks.

CNRL is primarily known for its diversified oil production assets that include oil sands, conventional heavy oil, conventional light oil, and offshore oil sites. In addition, CNRL is a major producer of natural gas with vast untapped resources in western Canada.

The company generates significant profits at current energy prices and is using the excess cash to reduce debt, buy back stock, and provide investors with steadily increasing dividends. At the time of writing, the current distribution offers a 4.2% dividend yield.

Oil and gas prices are expected to remain elevated for some time. In fact, this bull run could be a multi-year supercycle. Rising demand across the globe is not being met with a surge in output due to underinvestment in development over the past two years. Producers that previously used most of their profits to grow output are now content to invest the capital needed to maintain production. The strategy shift will likely keep oil and natural gas prices higher for longer.

Despite being a commodity play, CNRL has been a reliable dividend stock providing steady payout increases through the major downturns in the oil and gas markets.

The bottom line on top stocks for RRSP investors

Bank of Nova Scotia and CNRL are top TSX dividend stocks that look oversold right now. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar.

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