RRSP Investors: 2 Oversold TSX Dividend Stocks to Buy on the Dip

Description

Canadian savers are getting another chance to buy great TSX dividend stocks at undervalued prices for their self-directed RRSP portfolios.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) raised the dividend by 11% late last year and hiked the payout by another 3% when it reported fiscal Q2 2022 results. The company generated $2.765 billion in net income in the most recent quarter compared to $2.475 billion in the same period last year. Diluted earnings per share came in at $2.16 compared to $1.88 in fiscal Q2 2021.

Return on equity remains high at 16.4%, up from 14.9% on a year-over-year basis. Canadian banking earnings rose 27% and the international operations continued to recover from a big pandemic hit. The division that primarily operates in Mexico, Peru, Chile, and Colombia saw earnings rebound to $605 million from $420 million in fiscal Q2 2021.

Despite the strong start to the fiscal year Bank of Nova Scotia stock currently trades for less than $74 per share compared to $95 in February. The entire banking sector has pulled back due to rising recession fears, but the drop is starting to look overdone.

Bank of Nova Scotia remains very profitable, and the surge in interest rates should drive up net interest margins in the coming quarters. This will help offset weaker revenue coming as a result of the cooling housing market and a slowing economy.

Additional downside could be on the way, as recession warnings hit the news headlines, but BNS stock already appears undervalued right now and offers investors a 5.5% dividend yield.

Bank of Nova Scotia has a strong capital position to ride out some rough times and the dividend increases over the past six months suggest management isn't too concerned about the revenue or profit outlook.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $53 per share at the time of writing and offers investors a 6.5% dividend yield. The board increased the payout in each of the past 27 years and investors should see ongoing annual dividend hikes in the 3-5% range supported by rising distributable cash flow (DCF).

Enbridge transports 30% of the oil produced in Canada and the United States and 20% of the natural gas used by Americans. The company is investing in assets that support commodity exports, as international demand for North American oil and liquified natural gas (LNG) rises. Enbridge bought an oil export facility and related infrastructure for US$3 billion last year and recently announced plans to build two new pipelines to move natural gas to LNG sites.

Enbridge owns natural gas distribution utilities that provide millions of Canadian homes and businesses with fuel. The company also has a growing renewable energy group and is exploring hydrogen and carbon-capture opportunities.

Enbridge enjoys the balance sheet strength to make strategic acquisitions to drive growth along with investing in the smaller organic projects.

The bottom line on top stocks for RRSP investors

Bank of Nova Scotia and Enbridge are top TSX dividend stocks that look undervalued today and offer high dividend yields. 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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