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

Description

The correction in the **TSX Index** gives RRSP investors another chance to buy top Canadian dividend stocks at undervalued prices for retirement portfolios focused on generating attractive total returns.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is benefitting from the rebound in the energy sector, as domestic and international demand rises for natural gas and oil. The company transports 30% of the oil produced in Canada and the United States. This makes Enbridge strategically important for the smooth operation of the two economies. Enbridge also moves 20% of the natural gas used by Americans.

In addition, Enbridge operates natural gas distribution utilities in Canada that bring the fuel right to the buildings of millions of homes and businesses. Finally, Enbridge has a growing renewable energy group with solar, wind, and geothermal facilities.

The company is investing new capital on growth opportunities that take advantage of rising international demand for oil and liquified natural gas (LNG). Enbridge purchased an oil export terminal in the United States last year for US$3 billion and recently announced plans to construct two pipeline to bring natural gas to LNG facilities on the Gulf Coast.

In Canada, the company is eyeing investments in hydrogen and carbon-capture hubs. These new developments in the market provide avenues to drive future revenue growth while helping reduce emissions targets.

The stock is down from the 2022 high, providing investors with an opportunity to buy Enbridge at a nice discount and pick up a 6.3% dividend yield.

CIBC

CIBC (TSX:CM)(NYSE:CM) is Canada's fifth-largest bank by market capitalization. Investors often overlook CM stock in favour of its larger peers. This is partly due to CIBC’s size and could also be due to CIBC’s history of making bad bets.

At the time of writing, the stock is down to $62 per share from the 2022 high above $83. Investors are concerned CIBC might take a hit if the Canadian housing market falls off a cliff. CIBC has a large mortgage portfolio relative to its size and a meltdown in house prices caused by a wave of defaults and panic selling would likely impact CIBC more than its peers.

That being said, the drop in the share price probably now reflects the risks. House prices are already falling, and sales will slow down, but a gradual decline is expected over the next couple of years rather than a sharp plunge.

CIBC made acquisitions in the United States in recent years to diversify the business. Management is still targeting decent revenue growth across the various operating groups and the dividend should continue to rise.

The board raised the payout by 10% late last year and increased the distribution again when it reported fiscal Q2 2022 results. This suggests the company isn’t too concerned about economic risks in the near term. Investors who buy CIBC stock at the current price can lock in a 5.3% dividend yield.

The bottom line on top TSX dividend stocks

Enbridge and CIBC pay solid dividends offering above-average yields. 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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