



## 2 Cheap TSX Stocks to Buy Now for Total Returns

### Description

The [market pullback](#) is giving Canadian investors a chance to buy top TSX dividend stocks at discounted prices for TFSA and RRSP portfolios.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#)) ([NYSE:BNS](#)) is unique among the big Canadian banks due to its large international operations focused on Latin America.

The bank spent billions of dollars over the past decade to build strong positions in Mexico, Peru, Chile, and Colombia. This might seem like an odd strategy for a Canadian bank, but the four members of the Pacific Alliance trade bloc are home to more than 230 million consumers. Banking penetration is much lower than it is in Canada, so there is significant growth potential, as the middle class expands and demand rises for loans and investment products.

The international group took a big hit during the worst of the pandemic, but the fiscal Q2 results showed a strong recovery is on the way. Bank of Nova Scotia's International division generated \$605 million in earnings in the quarter compared to \$420 million in the same period the previous year.

BNS stock currently trades near \$75 per share and provides a 5.5% yield. The board increased the payout by 11% late last year and raised it by another 3%, when Bank of Nova Scotia released the fiscal Q2 2022 results. Recession fears have driven the share price down from the 2022 high around \$95. At this point, the selloff appears overdone, and Bank of Nova Scotia stock looks [undervalued](#) at roughly nine times trailing 12-month earnings.

### Canadian National Railway

**CN** ([TSX:CNR](#))([NYSE:CNI](#)) trades near \$145 per share at the time of writing compared to \$170 earlier this year. Buying CN stock on big dips has historically proven to be a savvy move for patient value investors seeking solid total returns.

CN is the only railway in North America with tracks connecting ports on three coasts. This is an important competitive advantage in the rail industry that already enjoys a wide moat. The company moves essential raw materials and finished goods for domestic and international customers and is a key player in the efficient workings of the economy. CN generates strong revenue and profits and uses free cash flow to buy back shares and increase the dividend.

CN raised the distribution by 19% for 2022. The company is also repurchasing up to 6.8% of the outstanding stock under the current share-buyback plan. CN's dividend yield is only about 2%, but investors should focus more on the dividend growth and total returns. The compound annual dividend-growth rate is about 15% since CN went public. A \$10,000 investment in CN stock 25 years ago would be worth about \$400,000 today with the dividends reinvested.

## The bottom line on top TSX stocks to buy for total returns

Bank of Nova Scotia and CN offer strong dividend growth and now trade at cheap prices. If you have some cash to put to work in a self-directed TFSA or RRSP focused on total returns, these stocks deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CNI (Canadian National Railway Company)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CNR (Canadian National Railway Company)

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