RRSP Investors: 2 Top Oversold TSX Dividend Stocks to Build Retirement Wealth

Description

The 2022 market pullback is an opportunity for RRSP investors to buy top TSX dividend stocks at undervalued prices for portfolios focused on generating solid total returns.

TD Bank

TD (TSX:TD)(NYSE:TD) raised its dividend by 13% last year when the government removed a pandemic ban on dividend increases and share buybacks. Another generous payout hike is probably on the way for fiscal 2023.

TD is in the process of buying **First Horizon** for US$13.4 billion. The deal will add more than 400 branches to TD's existing American network that runs from Maine down the east coast to Florida. First Horizon primarily operates in the southeastern part of the country, including the sunshine state, so the acquisition makes sense. Once completed, the combined businesses will make TD a top-six bank in the American market.

TD stock is down to $78.50 at the time of writing compared to the $109 it hit in February. The steep decline is due to investor fears that a recession could hit TD's revenue stream and profits in the next couple of years. High inflation is eating up household savings and reducing discretionary spending. The Bank of Canada's aggressive interest rate hikes will put even more pressure on homeowners and businesses.

TD has a large Canadian residential mortgage portfolio, so investors might also be concerned about a potential meltdown in the housing market. Prices have already started to drop. If a wave of mortgage defaults occurs and triggers panic selling, TD and its peers could take a hit.

That being said, economists currently expect a recession to be mild and short due to the strong employment levels. Home sales and prices will decline, but the process should be more of a soft landing than a crash. TD and its peers have strong capital positions to ride out any shock, if things do get ugly.

Near-term volatility should be expected, but TD looks undervalued right now at less than 10 times trailing 12-month earnings. The stock offers a 4.5% yield and should deliver decent total returns over the long haul.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a giant in the Canadian energy sector with oil and natural gas assets that span the commodity spectrum. CNRL has oil sands, conventional heavy oil, conventional light oil, offshore oil, natural gas and natural gas liquids production and resources. The company typically owns 100% of its facilities rather than working with partners. This gives CNRL the flexibility to move capital around quickly to take advantage of positive shifts in the commodities it produces.

CNQ stock traded as high as $88 this year but has pulled back to $61 at the time of writing along with the rest of the energy sector on profit taking and the dip in the price of oil. WTI oil currently trades near US$98 per barrel compared to more than US$120 on a couple of spikes in recent months.

Oil will likely remain volatile in the near term, but the price is expected to remain elevated as long as rising demand continues to bump up against tight supplies. Capacity and motivation to raise output remains limited.

The stock appears oversold today and provides a dividend yield of nearly 5%, so investors get paid well to ride out any additional downside that might occur before the next surge. CNRL has increased the dividend for 22 consecutive years.

The bottom line on top oversold TSX dividend stocks

TD and CNRL have long track records of dividend growth supported by rising revenue and profits. If you have some cash to put to work in a self-directed RRSP focused on total returns, these stocks look cheap right now and deserve to be on your radar.

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aswalker