RRSP Growth: 2 Cheap TSX Stocks to Buy Now for Dividends and Total Returns

Description

The market pullback is giving self-directed RRSP investors another chance to buy top TSX dividend stocks at cheap prices to help generate strong total returns in their retirement portfolios.

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TD Bank

TD (TSX:TD)(NYSE:TD) trades near $81 per share at the time of writing compared to the 2022 high of $109. The steep decline in recent months has occurred, as investors worry that soaring interest rates designed to tame inflation will be deliver a knockout blow to households that are already struggling with rising food and gas prices. Most homeowners have mortgages at very low rates. When the time comes to renew, the added interest charges due to the higher mortgage costs will force people to cut more discretionary spending or even sell their homes if they can't make ends meet.

The result could be a deeper recession than anticipated and a possible flood of mortgage defaults.

Despite the economic headwinds, TD should continue to grow revenue and profits. Rising interest rates tend to drive up net interest margins. This should help offset rising defaults. TD is also in the process of buying **First Horizon** in the United States for US$13.4 billion. The deal will expand TD's existing U.S. operations by more than 400 branches and make TD a top-six bank in the American market.

Investors who buy TD stock at the current price can pick up a 4.4% dividend yield. TD is one of the best dividend-growth stocks on the TSX Index over the past two decades. Buying TD on big pullbacks typically turns out to be a very profitable move over the long run.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) trades near $64 per share at the time of writing compared to a high of $88 this year. The pullback has come amid a wave of profit taking in the energy sector as the price of WTI oil retreated from US$120 per barrel to a recent dip back below

US$100. Even if oil slides to US$80 per barrel, CNRL is making significant profits and generating major free cash flow. The company is also a large natural gas producer. Natural gas prices remain very high and will likely stay elevated for the next few years due to soaring demand from international buyers.

The drop in the price of oil might be temporary. Global fuel demand continues to rise, as economies recover from the pandemic. Oil soared in recent months, even as China put large cities into lockdowns and commuters in western countries remained at home. As China's economy roars back to life and companies call employees back to the office, a new surge in fuel demand could send oil prices quickly higher, even in the face of a potential global recession.

Analysts and industry leaders say there is limited spare production capacity, so the oil market could remain very tight for several years. In that scenario, US$100 per barrel could easily become the new baseline in the market.

CNRL is using the cash windfall to reduce debt, buy back stock, and raise distributions. The board increased the dividend in each of the past 22 years and hiked the payout by 28% for 2022. Investors who buy the stock today can pick up a 4.7% dividend yield and wait for the next increase to boost the yield.

The bottom line on cheap stocks to buy for total returns

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TD and CNRL are top dividend payers that look undervalued today. 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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2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:TD (The Toronto-Dominion Bank)

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