



2 Oversold TSX Dividend Stocks to Buy for Passive Income

Description

The economy is heating up, as prices touch the roof. Central banks worldwide are anxious to control inflation with aggressive interest rate hikes. At times like these, you feel the need for passive income.

Diversifying sources of income

In today's economy, one can't thrive on salary alone. You can diversify your income sources without burning the candle at both ends. One of the sources could be tax-free, passive dividend income from the Tax-Free Savings Account (TFSA).

If I tell you \$1,000 investment could fetch you \$50 in annual income, it may look like a small amount. It would take 20 years to double your money. But some dividend stocks also grow their dividends annually and give a moderate capital appreciation. If you buy these stocks when they are oversold, you can lock in a higher dividend yield for a lifetime.

Here are two dividend stocks that are closer to being oversold:

- **BCE** ([TSX:BCE](#))([NYSE:BCE](#)): 5.83%
- **TD Bank** ([TSX:TD](#))([NYSE:TD](#)): 4.32%

Income from BCE stock

The top three players control Canada's telecom market, and BCE is the largest in terms of infrastructure. Its rival, **Rogers Communications**, faced a 15-hour network outage on July 8. This was its second network failure in 15 months. BCE's network, however, was working fine, giving it an advantage over the competitor. It has been expanding its [5G](#) network and enjoying subscription growth.

The 5G technology will power cars, robots, smart cities, drones, and more. But this growth would be spread over a decade, as the rollout and adoption are slow.

Telecom services are a utility that earns regular cash flow from subscription revenue. A looming recession will impact BCE's operations but not significantly, which means it can continue paying dividends like it has been paying for [39 years](#).

BCE has grown its dividend at a compounded annual growth rate (CAGR) of 5% in the last 10 years, as the economy was in a long-term growth phase, and digital adoption picked up due to 4G that allowed broadband level speed to mobile and laptop. 4G and 4G Long-Term Evolution (LTE) facilitated wider usage of internet applications like maps and video streaming on mobile devices. A looming recession could pause BCE's dividend growth but won't stop it.

BCE stock dipped 14% in the market downturn and is closer to the oversold category, with a Relative Strength Index (RSI) of 42. RSI measures the average stock price momentum in the last 14 days to understand to which side the stock price is skewed. A stock with RSI below 30 is considered oversold. BCE stock was in the oversold region in mid-June. A mild market correction pulled the stock up 2.8% from its 2022 low. It is still a good time to lock in a 5.83% dividend yield for a lifetime. So far, there are no signs of BCE slowing or pausing its dividend growth. So, you can see your passive income grow 5% or even higher as the 5G rollout continues.

TD Bank

TD Bank is the second-largest Canadian bank by market cap and reported income. The company has a 29% exposure to the U.S. markets, which makes it the fifth-largest bank in North America. It offers personal, commercial, and investment banking services and tops the charts for the highest Canadian deposits. The consumer moat that TD Bank carries helps it deliver stable returns and pay regular dividends and even grow them.

TD Bank's share performance is linked to the country's economic performance. The central banks of North America are increasing interest rates to curb inflation. Higher interest rates could fare well for deposits but make loans expensive. As interest rates and inflation increase and house prices fall, many people are stalling loans. Moreover, the stock market crash and slowing investments have slowed investment banking activities.

All this has pushed TD Bank into oversold territory in mid-July, wiping away 12 months of gains. The stock saw a correction of 5.5% in the last few days, but it is still closer to the sell category with an RSI of 43. Now is a good time to lock in a 4.32% dividend yield for a lifetime.

Bonus capital appreciation

The two stocks could give you an average dividend yield of 5% and a capital appreciation of 15-20% as they recover to their average stock prices. That is the power of buying oversold dividend stocks.

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2. NYSE:TD (The Toronto-Dominion Bank)
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