



RRSP Growth: 1 Oversold TSX Dividend Stock to Buy on the Dip

Description

The [market pullback](#) in 2022 is giving RRSP investors who missed the big rally off the pandemic lows a chance to buy top TSX dividend stocks at [undervalued](#) prices for a self-directed retirement fund.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) trades for close to \$75 per share at the time of writing compared to a 2022 high of \$95. Investors who buy BNS stock at the current level can get a 5.5% dividend yield with decent dividend-growth prospects in the coming years.

Bank of Nova Scotia stock is down in recent months as part of the broad-based selloff in bank shares. Investors are increasingly concerned that high inflation and rising interest rates will crush consumer and business spending to the point of tipping the economy into a recession. Weak economic activity tends to put pressure on bank revenues.

A slowdown in the housing market is already underway with sales dropping and prices pulling back from record highs. New buyers don't want to overpay, and existing property owners face a steep jump in interest charges when they renew their mortgages. If a wave of panic selling hits the market, and prices plunge, Bank of Nova Scotia and its peers could see losses increase on property loans.

Upside

At this point, however, the pullback in Bank of Nova Scotia's share price appears overdone. The bank remains very profitable. Earnings growth should continue, even considering the near-term headwinds. Bank of Nova Scotia generated adjusted net income of \$2.765 billion in fiscal Q2 2022 compared to \$2.475 billion in the same period last year. Return on equity jumped to 16.4% from 14.9%. On a year-to-date basis, earnings for the first six months of fiscal 2022 came in at \$4.40 per share compared to \$3.74 per share last year, so the bank is on track to deliver solid 2022 results.

Growth potential

The international group continues to extend its recovery. Adjusted net income in the division was \$613 million in the quarter compared to \$429 million in fiscal Q2 2021.

Bank of Nova Scotia is unique among the large Canadian banks due to its presence in Latin America. The bank spent billions of dollars over the past decade to build significant operations in Mexico, Colombia, Peru, and Chile. These countries are members of the Pacific Alliance trade bloc that enables the free movement of capital, goods, and labour. The bloc is home to a combined population of more than 230 million. As the middle class expands, Bank of Nova Scotia should see demand grow for its services.

Should you buy Bank of Nova Scotia now?

Bank of Nova Scotia raised the dividend by 11% late last year, and the board increased the payout by another 3% when the company reported the fiscal Q2 2022 numbers. This would suggest the management team is comfortable with the revenue and profits outlook over the next 12-24 months.

Additional volatility should be expected in the near term, but RRSP investors with a buy-and-hold [investing strategy](#) might want to consider adding the stock to their portfolios at this level and use any additional weakness to increase the position. The stock could bounce on better-than-expected fiscal Q3 results, and you get paid well to ride out the market turbulence.

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