



## Retirement Wealth: 2 Oversold Canadian Dividend Stars to Buy in August

### Description

Market corrections are tough to endure, but [TFSA and RRSP](#) investors can finally buy top TSX dividend stocks at [undervalued](#) prices for self-directed retirement portfolios.

### Royal Bank

**Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest financial institution with a current [market capitalization](#) of \$172 billion. According to the company, it is among the top 10 banks in the world based on this metric.

Royal Bank is a profit machine. The company generated \$16.1 billion in earnings in fiscal 2021. That's more than \$1.34 billion per month!

Based on the results for the first six months of fiscal 2022, Royal Bank is on track to comfortably top that amount this year. Net income rose 6% in Q1 and Q2 to \$4.1 billion and \$4.3 billion, respectively. Return on equity (ROE) in Q2 came in at a strong 18.4%. Royal Bank also finished the second quarter with a common equity tier-one (CET1) capital ratio of 13.2%. This is a measure of the bank's cash position and therefore its ability to ride out a crisis. The Canadian banks are currently required to have CET1 ratio of 10.5%, so Royal Bank is sitting on significant excess cash.

The bank is using the war chest of funds to buy back stock, make acquisitions, and pay investors higher dividends. At the end of March, Royal Bank announced its \$2.6 billion purchase of a wealth management firm in the United Kingdom. The deal will make Royal Bank one of the top three wealth managers in the U.K. and Ireland.

Royal Bank raised the dividend by 11% near the end of last year when the government ended the pandemic ban on bank dividend increases. The board hiked the payout by another 7% when Royal Bank reported the Q2 2022 results. Assuming the revenue and profit trend continues through the end of the year, investors should get another generous raise for 2023.

Royal Bank trades near \$122 per share at the time of writing. The drop from the 2022 high above \$149

looks overdone given the strong start to the year and the management team's confidence in boosting the dividend twice in six months. Investors who buy the stock at the current level can pick up a 4.2% dividend yield.

## Suncor

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) trades for close to \$41 per share at the time of writing and offers a 4.5% dividend yield. The stock was as high as \$53 in June, and it wouldn't be a surprise to see Suncor shares retest that level by the end of the year.

West Texas Intermediate (WTI) oil is down from US\$120 per barrel to below US\$100 and has bounced around the US\$95-US\$105 range for several weeks. This trend could continue through the next 12 months, as recession fears bump up against tight supplies caused by a lack of investment in new production and planned sanctions against Russia. The market might also be underestimating the potential surge in fuel demand that could occur in the fall, as commuters start heading back to offices, and airlines ramp up capacity after the bottlenecks of the summer season are fixed.

Suncor's Q2 2022 earnings are scheduled to come out on August 3. The production, refining, and retail businesses could all surprise to the upside, triggering a new tailwind for the stock.

Suncor doubled the dividend late last year and increased the payout by another 12% when the company released the Q1 2022 results. Suncor is also buying back up to 10% of the outstanding stock under the current share-repurchase plan.

## The bottom line on top TSX dividend stocks to buy now

Royal Bank and Suncor pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP portfolio, these stocks look cheap today and deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
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