



2 Cheap Canadian Dividend Stocks to Buy Now for Passive Income and Total Returns

Description

The [market pullback](#) is finally giving investors seeking passive income and long-term capital gains a chance to buy top TSX dividend stocks at [undervalued](#) prices.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is a giant in the Canadian and international banking industry. The bank's current [market capitalization](#) of \$178 billion makes it the largest company in Canada and, according to Royal Bank, among the top 10 banks in the world based on that metric.

Royal Bank earned more than \$16 billion in profits in fiscal 2021. The results for the first two quarters of 2022 show the bank is on track to top that amount by 6%. Royal Bank's common equity tier-one ratio of better than 13% means it has a war chest of cash to spend on acquisitions, share buybacks, or dividend increases. The bank already announced a \$2.6 billion wealth management purchase in the United Kingdom this year, and additional deals could be on the way to drive growth.

The stock is down from more than \$149 per share earlier this year to the current price near \$126. Investors who buy at this level can get a 4% dividend yield and wait for the next dividend hike to boost the return. Royal Bank increased the dividend by 11% late last year and raised it by another 7% when the bank reported the Q2 2022 results.

Suncor Energy

Suncor ([TSX:SU](#))([NYSE:SU](#)) trades for \$39 per share at the time of writing compared to \$53 in June. The slide in the share price looks overdone, even with WTI oil dropping from US\$120 per barrel to below US\$90.

The company still generates strong profits at this level, and investors should see steady dividend growth continue after the 100% increase in the payout near the end of last year and the additional 12%

hike the board announced with the Q1 2022 results. Energy companies are also handing out special dividends when they have quarters of excess cash flow. Suncor is currently using extra cash to buy back stock and reduce debt. It wouldn't be a surprise to see a bonus dividend in 2023.

In addition, Suncor is evaluating the potential for a sale of its retail operations. If the company decides to monetize the business, analysts say it could bring in as much as \$10 billion. This would unlock significant value for shareholders and part of the proceeds could potentially be used to make a special payment to owners of Suncor stock.

The base dividend currently provides a 4.8% yield.

Oil demand is expected to remain robust in the next few years, even if the global economy sees a recession. Commuters will return to the highways by the million in the coming months and airlines are ramping up capacity to meet soaring travel demand. At the same time, industry leaders say there is limited scope to raise production due to a lack of investment in the past two years, and [ESG](#) (environmental, social, and governance) pressures to reduce emissions.

The bottom line on cheap dividend stocks to buy now

Royal Bank and Suncor Energy look oversold. The companies pay attractive and growing dividends and should deliver solid total returns in the coming years. If you have some cash to put to work in a portfolio focused on passive income and capital gains, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SU (Suncor Energy Inc.)

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Date

2025/07/02

Date Created

2022/08/05

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