RRSP Investors: 2 Oversold TSX Dividend Stocks to Buy Now and Own for 30 Years

Description

The market correction is finally giving Canadian retirement investors a chance to buy top TSX dividend stocks at undervalued prices for self-directed Registered Retirement Savings Plan (RRSP) portfolios.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) trades near $62.50 per share at the time of writing. That's down from the 2022 high above $74 the stock hit in June. The steep pullback looks overdone, and investors who buy at the current level can pick up a solid 5.75% dividend yield.

TC Energy's share price initially fell with the broader drop in the energy sector that occurred as oil prices retreated from the 2022 spike. Recently, the stock is down due to soaring costs on its Coastal GasLink project. The pipeline will bring natural gas from producers in northeastern British Columbia to a new liquified natural gas (LNG) facility on the B.C. coast. TC Energy says the expected cost is now $11.2 billion, up about 70% from the original estimate. On the positive side, TC Energy has come to an agreement on sharing the increase in costs with LNG Canada.

TC Energy just announced the sale of $1.8 billion in stock at $63.50 per share to help fund the project. It will take some time for the stock price to recover, but investors get paid well to wait, and dividend growth should still be in the 3-5% range over the medium term.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades near $78 per share at the time of writing. That's up from the recent dip below $72 but still looks undervalued. BNS stock was $95 at one point earlier this year.

The bank sector took a hit in recent months amid rising recession fears. There is a good chance the Canadian economy is headed for a downturn in 2023 or 2024 as rising interest rates designed to cool off the economy and reduce inflation take effect. Consumers already face soaring prices for food and gas and will get hit with higher mortgage costs when they have to renew their home loans. This will reduce discretionary spending and likely draw down savings or even trigger a wave of selling in the Canadian property market. If unemployment jumps and house prices crash Bank of Nova Scotia and its peers will likely see revenue drop and loan losses increase.

For the moment, the selloff in bank stocks looks overdone. Analysts predict a mild and short recession and while house prices are already falling, a 50% plunge is not expected due to tight supply and strong demand.

Bank of Nova Scotia remains very profitable. The bank generated $2.75 billion in fiscal second-quarter (Q2) 2022 net income, up from $2.46 billion in the same period last year, and the company maintains a strong capital position with a common equity tier one (CET1) ratio of 11.6%.

Bank of Nova Scotia's board raised the dividend by 11% late last year and hiked the payout by another 3% when the bank released the Q2 2022 results. This suggests the management team is comfortable with the revenue and profit outlook in the next couple of years, even with the potential economic headwinds.

Investors who buy the stock at the current price can lock in a 5.3% dividend yield.

The boom line on top stocks to buy for a self-directed RRSP

TC Energy and Bank of Nova Scotia pay attractive dividends with high yields. If you have some cash to put to work in a self-directed RRSP, these stocks look cheap today and deserve to be on your radar.

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