



2 Oversold TSX Dividend Stocks to Buy for Passive Income

Description

The markets are breathing a sigh of relief with the benchmark indexes ending last week in the green. The energy-heavy S&P TSX Composite Index gained nearly 4.4% last month — the highest since March 2022. A bunch of resilient earnings and promising economic indicators drove the Canadian markets higher last month.

However, the recent uptick does not mean that all woes are over. As global economies continue to struggle with record-high inflation rates and supply chain disruptions, the threat of a global recession is becoming imminent. As such, [dividend stocks](#) can not only hedge market uncertainties but also generate substantial passive income for investors.

Here, we'll look at two blue-chip Canadian dividend stocks that you can buy in August 2022.

Royal Bank of Canada

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)), the largest Canadian bank, has not been immune to the recent selling spree, despite being one of the biggest banks in North America. The stock plummeted by almost 7% year to date and is down 16% from all-time highs.

However, RY's dividend payouts still make it one of the most popular stocks among fixed-income investors. It pays \$3.76 per share in dividends annually, yielding a tasty 4.10%. Moreover, Royal Bank of Canada is a Dividend Aristocrat, thanks to its impressive dividend hikes over the years. In the past five years alone, the bank has raised its dividends at an annual rate of 7.8%.

In addition, RY stock is making a strong recovery lately, benefitting from the aggressive benchmark interest rate hikes. The Bank of Canada's latest supersized 1% rate hike allowed Royal Bank of Canada to raise its prime lending rate, which, in turn, should boost its interest income and profit margins.

In fact, the bank's profit margins delivered an impressive gain in the fiscal second quarter (ended in April), despite a marginal year-over-year decline in revenues. Its adjusted earnings came in at \$2.97

per share, beating the FactSet consensus estimate of \$2.67 per share.

As RY's net income increases, the bank will most likely hike its dividends in tandem as well in the near term. Moreover, the stock is expected to regain momentum soon as the market correction bottoms out. Analysts expect the stock to hit \$145.89 soon, indicating a 16.85% potential upside.

Manulife Financial

Toronto-based **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) is one of the most promising dividend stocks right now. As investors switched to relatively safe utilities and fast-moving consumer goods stocks during the market correction earlier this year, financial services stocks fell sharply. Over the past three months, MFC has slumped 6.7%.

However, MFC stock staged a recovery in July and is up more than 5% over the past month. Typically, high benchmark interest rates bode well for financial services companies, as they prop up the latter's interest income.

MFC's net income more than tripled year over year to \$2.97 billion in the first quarter. Its return on equity surged 1,660 basis points year over year to 23%.

MFC paid \$0.33 in dividends during this period, up from \$0.28 paid in the first quarter of 2021. The stock yields a handsome 5.65% in dividends, making it ideal for generating passive income.

MFC's financials are expected to improve substantially in the upcoming quarters, as the COVID-19 threat subsides.

Manulife president & chief executive officer Roy Gori stated in the first-quarter earnings report, "Looking to the future, we believe the importance of insurance and wealth management solutions is more visible than ever before and we are encouraged to see signs of stronger customer demand as containment measures relax in some markets. I am confident in our ability to capture this rebound as those markets recover from these temporary disruptions."

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. araghunath
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/17

Date Created

2022/08/07

Author

araghunath

default watermark

default watermark