



RRSP Investors: 2 Stocks to Buy in August for Dividends and Capital Gains

Description

The market bounce in the past two weeks suggests the 2022 correction might finally be over, but RRSP investors can still find good deals on top TSX [dividend stocks](#) that have great track records of delivering attractive total returns.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) trades near \$64.50 per share at the time of writing. That's up from the 2022 low around \$61.50, but still well below the \$74 the stock hit in April. Not much has really changed for the company and its outlook since the spring, so the pullback appears overdone, and investors could get a nice surprise when BCE reports Q2 2022 results on August 4.

BCE should show continued momentum in the recovery of the media business that suffered heavy revenue declines in 2020 and 2021 due to a decrease in ad spending across the TV, radio, and digital platforms. On the communications side, the ramp up of holiday and corporate travel could deliver gains in roaming fees that also plunged during the pandemic.

BCE continues to invest billions of dollars on network upgrades. The company is on track to connect another 900,000 customers with fibre optic lines in 2022. BCE is also expanding the [5G](#) network after spending \$2 billion in 2021 on new 3,500 MHz spectrum. These initiatives will drive revenue growth in the coming years while helping protect BCE's strong competitive position in the Canadian market.

BCE should be a solid defensive stock to buy for RRSP investors who are concerned the economy is headed for an ugly recession in the next 12-18 months. BCE gets most of its revenue from essential mobile and internet services that companies and households need in all economic conditions. Inflation is expected to remain high through at least the end of this year. BCE has the ability to pass rising costs through to customers, so it is also an attractive pick to hedge against inflation.

The board tends to raise the dividend by about 5% every year. Free cash flow is expected to increase by 2-10% in 2022, so another decent dividend hike should be on the way in 2023.

BCE stock currently provides a 5.7% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) traded below \$72 at one point last month. The share price has rebounded to \$78, but it still looks oversold compared to the \$95 it fetched earlier this year. Investors who buy BNS stock at the current level can still pick up an attractive 5.3% dividend yield and simply wait for the market to realize that the banks are going to be just fine through the coming economic downturn.

Bank of Nova Scotia has a strong capital position with a CET1 ratio of 11.6% at the end of fiscal Q2 2022. Earnings per share (EPS) for the quarter came in at \$2.18 compared to \$1.90 in fiscal Q2 2021. Adjusted return on equity rose to 16.4% from 14.9%.

A slowing housing market and an anticipated mild recession next year will put pressure on revenue. Rising interest rates could drive up loan defaults, but higher rates also tend to boost net interest margins. These risks are likely already baked into the share price, and market fears might be overblown. As long as employment levels remain strong, the banks should cruise through the next couple of years in decent shape.

Bank of Nova Scotia increased the dividend by 11% late last year and hiked it by another 3% when it reported the fiscal Q2 2022 results. This would suggest the board isn't too concerned about the near-term revenue and profit outlook.

The bottom line on top stocks to buy now

BCE and Bank of Nova Scotia are top Canadian dividend stocks with attractive yields and growing distributions. If you have some cash to put to work in a self-directed RRSP, these stocks look [undervalued](#) and deserve to be on your radar.

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