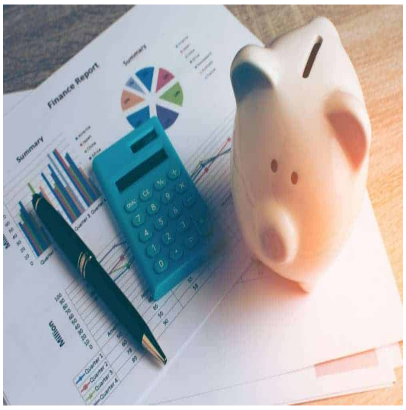

2 Oversold Canadian Dividend Stocks to Start a Self-Directed TFSA or RRSP

Description

The 2022 market correction has resumed its downward trend. This gives Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors a chance to buy top Canadian dividend stocks at cheap prices for a retirement fund.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) paid its first dividend in 1829. Investors have received a piece of the profits every year since that time and received two dividend increases in the 12 months. Bank of Montreal raised the payout by 25% late last year and then bumped up the distribution by another 4.5% when the bank reported fiscal second-quarter (Q2) 2022 results. At the time of writing, the dividend provides a 4.6% yield.

Bank of Montreal is in the process of buying **Bank the West** for US$16.3 billion. The deal will add more than 500 branches to the BMO Harris Bank subsidiary and gives Bank of Montreal a strong presence in the California market. Bank of the West gets 70% of its deposits from the state.

Bank of Montreal generated adjusted net income of $6.9 billion for the first nine months of fiscal 2022 compared to the same period last year. The adjusted return on equity remains high at 16%.

BMO stock trades near $120 per share at the time of writing compared to $154 in March. A recession in 2023 or 2024 could slow down revenue growth and drive up loan losses, but the selloff in the share price looks overdone. Economists have mixed opinions on how the economy will fare, but the general consensus is for a mild and short recession in Canada and the United States.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) raised the quarterly dividend by 28% to $0.75 per share in 2022 and has increased the distribution annually for the past 22 years. The compound annual dividend-growth rate over that timeframe is 22%. This is a strong performance from an oil and natural gas producer that relies on commodity prices to determine profits.

In the current environment, CNRL is a profit machine. The company generated $6.6 billion in net earnings for the first six months of 2022 compared to $2.9 billion in the first half of 2021. Oil prices are off their 2022 highs but still sit at very profitable levels for CNRL. Natural gas also continues to sell at elevated prices in both the domestic market and overseas.

CNRL has significant production operations across the hydrocarbon spectrum with oil sands, conventional heavy oil, conventional light oil, offshore oil, and natural gas assets. The company has the flexibility to allocate capital to the most profitable sites depending on market conditions. This is due to the fact that CNRL tends to own its assets 100%, so it doesn’t have to discuss capital changes with partners.

The stock trades near $69.00 at the time of writing compared to $88 in June. Investors who buy now can get a base dividend yield of 4.3%. CNRL declared a special dividend of $1.50 per share when it announced the Q2 2022 results. The bonus is based on the excess cash flow generated in the second quarter. As net debt drops and share repurchases reduce the outstanding float, investors could see ongoing special payouts, especially if energy prices remain at current levels.

The bottom line on top dividend stocks to buy for a retirement fund

Bank of Montreal and CNRL pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CNQ (Canadian Natural Resources Limited)

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