



2 Oversold Canadian Dividend Stocks to Buy for TFSA Passive Income

Description

TFSA investors can take advantage of the [market correction](#) to buy top [TSX](#) dividend stock at cheap prices for self-directed portfolios focused on generating reliable and growing passive income.

CIBC

Investors often skip **CIBC** ([TSX:CM](#))([NYSE:CM](#)) stock in favour of the larger Canadian banks. CIBC ranks fifth among the domestic banks with a current [market capitalization](#) of \$55 billion.

The bank has a history of making some big and expensive blunders, which is one reason it tends to trade at a discount to its peers. For example, CIBC took billions of dollars of writedowns on bad subprime mortgage bets during the Great Recession. CIBC also has a large residential Canadian mortgage book relative to its size, so a major meltdown in home prices and a wave of defaults would likely hit CIBC harder than its peers.

On the positive side, the bank is more careful about its risk exposure. Acquisitions in the commercial banking and wealth management sector in the United States have diversified the revenue stream and offer solid growth prospects in the coming years.

At this point, the pullback in CIBC's share price looks overdone, even with current economic headwinds and some potential turbulence on the way in the Canadian housing market. In June, CIBC told investors that it expects revenue and profits to grow by 7-10% over the next few years across the various business groups, led by strength in the American operations.

CIBC's first nine months of fiscal 2022 generated solid net income of \$5.04 billion compared to \$4.99 billion in the same period last year. CIBC finished fiscal third quarter (Q3) 2022 with a common equity tier-one (CET1) ratio 11.8%. This is a measure of the bank's ability to ride out some challenging times. The Canadian banks are required to have a CET1 ratio of at least 10.5%, so CIBC is sitting on excess cash it can use for acquisitions or distributions to shareholders.

The stock trades near \$61.50 at the time of writing compared to the 2022 high above \$83. Volatility

should be expected in the coming months, as the market tries to figure out if the economy is headed for a soft landing or a deep recession, but this should be a good time to start buying CIBC stock.

Investors seeking solid passive income can now pick up a decent 5.4% yield and can look to add to the position on any additional weakness. The stock already looks undervalued at just 8.9 times trailing 12-month earnings.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) trades near \$63 per share compared to \$74 in June. The steep decline looks overdone considering the nature of the company's position in the energy sector.

TC Energy isn't an oil or natural gas producer; it simply moves the products along its vast pipeline networks to storage locations or utilities. The largest part of the \$100 billion in assets is the expansive natural gas pipeline infrastructure that includes more than 93,000 km of pipelines. Demand for North American natural gas is strong and expected to grow in the coming years amid a boom in the international liquified natural gas (LNG) market.

Europe is searching for new long-term supplies to replace its reliance on Russia. Asian buyers are also seeking out supplies as utilities switch from burning coal and oil to produce power. Natural gas emits much less carbon dioxide when burned, so it is viewed as a key part of the transition to renewable energy.

TC Energy is a good stock to buy if you want exposure to the energy industry but don't want to take on the direct commodity risks associated with the producers.

The current \$28 billion capital program will drive steady revenue growth in the next few years. This should support ongoing dividend increases. TC Energy has raised the dividend in each of the past 22 years. Investors who buy TRP stock at the current level can lock in a 5.7% dividend yield.

The bottom line on top undervalued stocks to buy for passive income

CIBC and TC Energy pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA focused on passive income, these stocks look cheap right now and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TRP (Tc Energy)
3. TSX:CM (Canadian Imperial Bank of Commerce)

4. TSX:TRP (TC Energy Corporation)

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Date

2025/08/16

Date Created

2022/09/10

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