



## RRSP Wealth: 2 Top Oversold Canadian Stocks to Buy Now

### Description

Registered Retirement Savings Plan (RRSP) investors can take advantage of the [market correction](#) to buy top TSX dividend stocks at cheap prices for [retirement](#) portfolios focused on total returns.

### Canadian National Railway

**Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) is the only rail operator in North America with tracks that connect ports on three coasts. This is an important competitive advantage for the company when it bids for transport contracts with domestic and international clients.

CN generated strong second-quarter (Q2) 2022 results that demonstrate the rail company's ability to raise prices as its costs increase. Revenue hit a record \$4.34 billion in the quarter, up 21% from the same period last year. Adjusted diluted earnings per share rose 30% to \$1.93, also a record.

CN reaffirmed its guidance for 2022. The company expects adjusted diluted earnings per share to increase by 15-20%. Free cash flow is expected to be \$3.7 to \$4.0 billion.

CN raised the dividend by 19% for 2022. Investors should see another generous increase for 2023. The board raised the payout by a compound annual rate of about 15% since the mid-1990s when CN became a publicly traded company.

The stock trades near \$155 per share at the time of writing compared to a high of \$170 earlier this year. Buying CN stock on dips has historically proven to be a profitable move for RRSP investors. A \$10,000 investment in CN stock 25 years ago would be worth about \$395,000 today with the dividends reinvested.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) trades for less than \$71 per share at the time of writing. The stock was as high as \$95 at one point this year. [Bank stocks](#) took a big hit in recent months, as

soaring inflation and rising interest rates have triggered fears of an impending economic downturn.

According to many economists, a recession is likely on the way in 2023. The Bank of Canada is raising interest rates to try to bring inflation back down to 2%. Success likely requires forcing the economy to cool off considerably. This would put pressure on bank revenues and potentially drive up loan losses if unemployment surges at the same time that homeowners face big jumps in mortgage costs.

Despite the near-term challenges, the pullback in Bank of Nova Scotia's share price appears overdone. The bank remains very profitable and has a strong capital position to ride out some rough times. Bank of Nova Scotia earned \$8.1 billion in net income in the first nine months of fiscal 2022 compared to \$7.4 billion in the same period last year. The common equity tier one (CET1) ratio, a measure of the bank's financial health, is 11.4%. This is well above the 10.5% required by the government and means Bank of Nova Scotia has ample excess cash for share buybacks or acquisitions.

Investors who buy BNS stock at the current level can pick up a solid 5.8% dividend yield. The board raised the dividend by 11% late last year and increased the payout by another 3% this spring.

A \$10,000 investment in Bank of Nova Scotia 25 years ago would be worth more than \$115,000 today with the dividends reinvested.

## The bottom line on top RRSP stocks

CN and Bank of Nova Scotia have delivered good dividend growth and attractive total returns over the years. 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.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CNI (Canadian National Railway Company)
4. TSX:CNR (Canadian National Railway Company)

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