



TFSA Passive Income: 2 Oversold High-Yield Canadian Stocks to Buy Now

Description

The [market correction](#) is providing retirees and other Tax-Free Savings Account (TFSA) investors a chance to buy top [TSX](#) dividend stocks at cheap prices for portfolios focused on passive income.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) trades near \$46.50 at the time of writing compared to \$53 in June. The stock pulled back as part of the broader selloff in the energy sector, but the dip appears overdone, and investors can now get a 5.6% dividend yield.

Pembina Pipeline isn't an oil and gas producer. The company is a one-stop shop providing a wide range of midstream services to the production companies. Liquids and natural gas pipelines, logistics, natural gas gathering and processing, and even propane export are all part of the asset mix.

Pembina Pipeline has a 65-year history of expanding through strategic purchases and internal development projects. The company has a good track record of making aggressive and successful acquisitions and will likely continue along that path, as the energy infrastructure sector consolidates.

Pembina Pipeline reported strong second-quarter (Q2) 2022 results and just raised the monthly dividend. Earnings came in at \$418 million in the quarter compared to \$254 million in the same period last year. In addition, management increased financial guidance for the year due to the strong performance in the first half of 2022 and the positive outlook through the start of 2023.

Pembina Pipeline is a good stock to buy if you want exposure to the rebound in the oil and gas markets, but don't want to take on the direct exposure to volatility in the commodity prices.

CIBC

CIBC ([TSX:CM](#))([NYSE:CM](#)) trades for \$64 at the time of writing compared to a 2022 high above \$83 per share. All of the Canadian [bank stocks](#) tanked in recent months amid rising fears that a recession

in 2023 or 2024 could hammer revenues and drive up loan losses.

An economic slowdown is widely expected. Soaring food and gas prices have already forced households to divert discretionary spending or saving to cover essential expenses. At the same time, the Bank of Canada is aggressively raising interest rates in an effort to get inflation back down to 2%. The August inflation rate was 7% in Canada. That's down from July but still too high. As borrowing costs move higher, businesses and property owners face rising loan and mortgage costs. If things get really bad, and unemployment jumps considerably, loan defaults could rise and cause the banks some grief.

That being said, the consensus outlook among economists is for a mild and short recession. Businesses and families on the whole built up their savings during the pandemic and this should help mitigate the economic downturn. House prices are pulling back, but a shortage of supply and strong demand should keep the housing market from collapsing.

As such, CIBC looks cheap right now trading at 9.2 times trailing 12-month earnings. Management expects revenue and profits to grow by 7-10% annually over the medium term, supported by strength in the American wealth and commercial banking operations. CIBC raised the dividend by 10% near the end of last year and increased the payout again when the bank reported fiscal second-quarter 2022 results.

Investors who buy CIBC stock at the current level can lock in a solid 5.2% dividend yield.

The bottom line on top stocks to buy for passive income

Pembina Pipeline and CIBC 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 oversold and should be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:PPL (Pembina Pipeline Corporation)

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Date

2025/08/16

Date Created

2022/09/21

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