2 Top Canadian Dividend Stocks for New TFSA or RRSP Investors

Description

The market correction is a good opportunity for new Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors to buy top TSX dividend stocks at undervalued prices for a buy-and-hold retirement portfolio.

Suncor

Suncor (TSX:SU)(NYSE:SU) trades near $37 per share at the time of writing compared to $53 in June. The drop occurred as oil prices have pulled back from US$120 per barrel to about US$80. The current price, however, is still very profitable for Suncor and the market might be getting too pessimistic about the outlook for oil demand.

Airlines are ramping up capacity to meet a resurgence in global travel. This will drive up demand for jet fuel. At the same time, companies are telling millions of employees to start heading back to the office. Many people left the city core for the suburbs during the pandemic. That means more cars are likely headed for the highway in the coming months, as these people now make the big commute.

On the supply side, analysts and oil executives are warning that the industry will face challenges in keeping up with demand growth. Oil companies cut exploration and development expenditures by hundreds of billions of dollars over the past two years in an effort to preserve cash during the pandemic crash. This means there is limited capability to increase output over the medium term. Stringent emissions restrictions being put in place to meet net-zero goals provide another headwind for supply growth.

Based on the demand and supply outlook, the recent drop in the price of oil might not last very long. In fact, once the U.S. government stops selling off its strategic reserves, and China eases the pandemic lockdowns, oil prices could surge.

Suncor looks oversold right now, and investors can pick up a solid 5% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades for $68.50 per share compared to the 2022 high of $95. Investors who buy the stock at the current price can pick up a 6% dividend yield.

Bank stocks are taking a beating, as investors worry that rising interest rates will cause a recession and trigger a crash in the Canadian housing market. Economists and analysts widely expect a mild and short recession to occur next year, and this will slow down loan growth. If unemployment jumps in a meaningful way, households facing a big jump in mortgage costs due to rising interest rates might not be able to cover their payment increases. In the worst-case scenario, panic selling could tip the housing market into a free fall, and that would be bad for Bank of Nova Scotia and its peers.

For the moment, a controlled pullback in the overheated housing market is the likely path. People built up significant savings during the pandemic and that cash pile should help mitigate the impacts of rising costs.

Volatility is expected in the near term, but Bank of Nova Scotia stock looks cheap right now at close to 8.1 times trailing 12-month earnings and you get paid well to ride out the downturn.

The bottom line on top stocks for new investors

Suncor and Bank of Nova Scotia pay attractive dividends that should continue to grow. If you have some cash to put to work in a self-directed TFSA or RRSP portfolio, these stocks look cheap today and deserve to be on your radar.

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3. NYSE:SU (Suncor Energy Inc.)
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