2 Oversold TSX Stocks for TFSA and RRSP Investors to Buy Now

Description

The market correction is providing Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors with a great opportunity to buy top Canadian dividend stocks at cheap prices for retirement portfolios focused on passive income or total returns.

TD Bank

TD (TSX:TD)(NYSE:TD) is Canada's second-largest bank with a market capitalization of $155 billion. The stock is down considerably this year due to rising recession fears. It is true that an economic downturn is widely anticipated in 2023, and this will likely slow loan growth at the banks. Soaring interest rates are starting to combine with high inflation to put a pinch on household spending. If businesses start cutting jobs aggressively there could be a meaningful drop in the housing market, as property owners struggle to make increased mortgage payments.

Despite the headwinds, TD stock looks oversold. The bank is on track to top 2021 earnings this year, and TD has a strong capital position to ride out some rough times. In fact, TD is using excess cash to invest in future growth through two strategic acquisitions in the United States.

TD is buying **First Horizon**, a retail bank, for US$13.4 billion. The deal adds more than 400 branches in the southeastern states. TD already has an extensive network running from Maine right down to Florida, so the deal makes sense. The acquisition will make TD a top-six bank in the United States. TD is also purchasing an investment bank, **Cowen**, for US$1.3 billion. The deal will bulk up TD's capital markets operations.

TD trades near $84 per share at the time of writing compared to $109 at the 2022 high. Near-term volatility should be expected, but the stock already appears undervalued. Investors who buy at the current price can pick up a 4.25% dividend yield and wait for distribution increases in the coming years. TD raised the dividend by 13% for fiscal 2022 and a double-digit hike is likely on the way for fiscal 2023. TD has a compound annual dividend growth rate of better than 10% over the past 25 years.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is positioned well to take advantage of growing domestic and international demand for North American natural gas. The company has a 93,000 km natural gas pipeline network and more than 650 billion cubic feet of natural gas storage in Canada, the United States, and Mexico.

Utilities around the globe are switching from coal and oil to natural gas for power production in a bid to reduce emissions. Natural gas releases less carbon dioxide when burned than the other two fuels. At the same time, the war in Ukraine is driving shifts in the global energy market. European countries are searching for reliable long-term supplies of liquified natural gas (LNG) to replace their reliance on Russia for the fuel. TC Energy’s American pipeline infrastructure connects key natural gas shale plays to the U.S. Gulf Coast where LNG facilities ship the fuel to overseas buyers.

In Canada, TC Energy is building the Coastal GasLink pipeline that will deliver natural gas from producers in northeastern British Columbia to a new LNG facility on the B.C. coast.

TRP stock trades for $59 per share at the time of writing compared to $74 in June. Investors who buy now can pick up a 6% dividend yield.

The bottom line on top stocks to buy for a TFSA or RRSP

TD and TC Energy pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP, these stock look undervalued today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TRP (Tc Energy)
3. TSX:TD (The Toronto-Dominion Bank)
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aswalker