



## 1 Oversold TSX Dividend Stock to Buy Now

### Description

The [market correction](#) is giving Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors an opportunity to buy some of Canada's top dividend stocks at cheap prices. Investors seeking [TFSA](#) passive income can lock in attractive yields, and RRSP investors focused on total returns can buy stocks with significant upside potential.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) trades for less than \$67 per share at the time of writing compared to the 2022 high of \$95. At the current share price investors can get a 6.1% dividend yield.

The stock price took a dive in recent days on the announcement that the current chief executive officer (CEO), Brian Porter, will retire in January and his successor will be an outsider. Scott Thomson, the long-term CEO of **Finning**, will be the new top boss at Bank of Nova Scotia. Finning is the world's largest dealer of **Caterpillar** heavy equipment. The decision to tap Thomson for the job shocked the market, and investors reacted negatively to the news.

Thomson has experience building a successful global business. Bank of Nova Scotia has a large international division primarily focused on Latin America, so the ability to manage large international operations is an asset. The new leader of Canada's third-largest bank isn't a total stranger to Bank of Nova Scotia. He is actually quite familiar with the business as a member of Bank of Nova Scotia's board of directors.

### Risks

Bank stocks across the board have fallen considerably in the past six months due to rising recession fears. In the event the Bank of Canada's rate hikes cause a deeper and longer economic downturn than anticipated the banks would likely suffer from slower loan growth and a surge in business and household bankruptcies. In the worst-case scenario, panic selling in the housing market would drive prices down to the point where the banks get stuck with thousands of properties worth less than the

value of the outstanding mortgages.

For the moment, the general consensus among economist is for a short and mild recession. Homeowners and companies built up significant savings in the past two years. This will help them navigate high inflation and the surge in borrowing rates caused by interest rate increases. The Bank of Canada is trying to cool the economy enough to bring inflation back down to 2% from 7% in August. As long as unemployment remains low, households should be able to keep paying their mortgages, and the decline in the housing market that has already begun shouldn't turn into a crash.

## Opportunity

Bank of Nova Scotia continues to generate strong profits and has adequate capital to ride out a downturn. The board raised the dividend by 11% near the end of last year and by another 3% when the bank reported second-quarter-of-2022 results. Another decent dividend increase should be on the way for fiscal 2023.

At 7.9 times trailing 12-month earnings, Bank of Nova Scotia stock looks undervalued, even with the economic headwinds taken into consideration. If you have some cash to put to work in a TFSA or RRSP portfolio, this stock deserves to be on your radar.

### CATEGORY

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2. Investing

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