2 Cheap TSX Dividend Stocks to Buy Now

Description

The market correction is taking stock prices back to the June lows. Investors who missed the summer bottom are now able to buy top Canadian dividend stocks again at undervalued prices and can pick up high yields for a Tax-Free Savings Account (TFSA) targeting passive income or a self-directed Registered Retirement Savings Plan (RRSP) seeking attractive total returns.

BCE

BCE (TSX:BCE)(NYSE:BCE) trades for $58.70 at the time of writing and offers investors a $6.25% dividend yield. The stock was as high as $74 earlier this year.

Recession fears driven by soaring interest rates are putting pressure on the entire **TSX Index**. The Bank of Canada is raising rates to try to bring inflation down from 7% in August to its normal target rate of 2%. Achieving this goal requires slowing down the hot economy. Investors, however, are concerned the central bank and its American counterpart will raise rates too high and plunge the Canadian and U.S. economies into deep recessions.

BCE's revenue stream isn't immune to a downturn. Advertising sales in the media group could fall as businesses cut marketing budgets. New phone sales will also likely drop, as consumers decide to keep existing models for longer periods. The internet and mobile revenues, however, should hold up well, and this is the bulk of BCE's cash flow.

BCE is on track to meet its 2022 financial targets. Free cash flow is expected to increase by 2-10% for the year compared to 2021. This should support a dividend increase of around 5% for 2023. BCE raised the payout by at least 5% annually over the past 14 years.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is unique among the Canadian banks due to its large international operations located in Latin America. The big bet on the region has delivered solid profits and long-term growth potential is significant in Mexico, Peru, Chile, and Colombia, where most of the operations are located. These four countries have a combined population of more than 230 million people. Banking penetration is low. As the middle class expands, demand for loans and investment products should rise.

Emerging markets offer attractive growth opportunities, but they are also more volatile. The geopolitical and economic risks might be a reason some investors prefer the other big Canadian banks.

At the time of writing, Bank of Nova Scotia trades near $66 per share compared to $95 at its peak in the beginning of this year. The share price is now roughly 7.9 times trailing 12-month earnings. This looks cheap, even with some challenging economic times likely on the way.

Investors who buy BNS stock at this level can pick up a 6.25% dividend yield. The board increased the dividend by 11% late last year and again by another 3% when the bank reported fiscal 2022 results. Bank of Nova Scotia remains very profitable and has adequate capital to ride out a downturn. Investors should see another decent dividend increase for 2023.

The bottom line on top dividend stocks to buy now

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

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