



Market Correction: 2 Top Dividend Stocks to Buy for TFSA Passive Income

Description

The latest drop in the [TSX](#) is pushing many top Canadian dividend stocks back toward their 2022 lows. TFSA investors in search of passive income can now buy great high-yield stocks at [undervalued](#) prices.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) trades near \$57 per share at the time of writing compared to \$74 in June. Investors who buy the stock at the current price can pick up a 6.25% dividend yield. TC Energy raised the dividend in each of the past 22 years and will likely increase the payout by an annual rate of 3-5% over the medium term, supported by the current \$28 billion capital program.

The company is a key player in the transmission and storage of natural gas in Canada, the United States, and Mexico. TC Energy operates more than 93,000 km of natural gas pipelines and 650 billion cubic feet of natural gas storage.

Global demand for North American natural gas is on the rise due to the war in Ukraine and a general shift to the fuel from coal and oil to produce electricity. TC Energy is building the Coastal GasLink pipeline in Canada that will connect natural gas producers in northeastern British Columbia to the new liquified natural gas (LNG) terminal being built by LNG Canada. Costs on the project soared by 70% due to pandemic delays and inflation. This caused a dispute between TC Energy and LNG Canada on who is responsible to cover the extra expenses, but the situation has been resolved and work continues. The pipeline is 70% complete.

TC Energy's U.S. infrastructure connects producers in the Marcellus and Utica shale plays to the Gulf Coast where a number of LNG facilities ship the fuel to overseas buyers.

TRP stock looks oversold right now and is good to buy if you want exposure to the recovery in the oil and gas markets without the direct commodity risks associated with owning the producers.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) trades for \$125 per share at the time of writing compared to just under \$150 at the 2022 high.

Economic uncertainty caused by high inflation and soaring interest rates triggered a steep decline in RY stock over the past few months. The Bank of Canada and the U.S. Federal Reserve are aggressively increasing interest rates to cool off the economy in an attempt to bring inflation back down to 2%. Inflation was 7% in Canada in August.

Rising interest rates push up costs on variable-rate loans. In addition, as interest rates move higher, bond prices tend to fall, driving up bond yields. This, in turn, leads to higher rates for fixed-rate mortgages. Property owners who have to renew their loans are facing steep increases in their monthly bills.

Some businesses and homeowners won't be able to cover the rising expenses, and this will result in more loan defaults.

Risks of deep recession exist, but economists generally expect the downturn to be mild and short. Assuming that scenario pans out, Royal Bank stock looks cheaps right now.

Investors can get a solid 4.1% dividend yield and wait for future distribution hikes to boost the return on the initial investment.

The bottom line on top stocks for passive income

TC Energy and Royal Bank 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 deserve to be on your radar.

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2. NYSE:RY (Royal Bank of Canada)
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