3 Dividend Stocks to Buy on Sale

Description

The 2022 market correction is providing TFSA and RRSP investors with an opportunity to buy great TSX dividend stocks at undervalued prices for portfolios focused on passive income and total returns. Let's take a look at three of these stocks.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) operates 93,300 kms of natural gas pipelines and 650 billion cubic feet of natural gas storage space in Canada, the United States, and Mexico. The company also has power generation facilities that provide reliable revenue streams, along with oil pipelines that carry crude oil from producers to refineries and storage locations.

The rebound in the global energy market is expected to continue, even if the world slides into a recession next year. Natural gas exports from the United States are already rising and Canada will soon have liquified natural gas (LNG) facilities ready to ship the fuel to foreign buyers. Europe is scrambling to replace its reliance on Russia for natural gas and countries around the globe are switching from oil and coal to natural gas as a fuel to generate electricity.

TC Energy owns infrastructure in the U.S. that connects natural gas producers to LNG facilities on the Gulf Coast. In Canada, TC Energy is building the Coastal GasLink pipeline that will move natural gas to a new LNG site on the coast of British Columbia.

TC Energy stock trades near $60 per share at the time of this writing compared to $74 in June. The drop appears overdone, and investors can now get a solid 6% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades for $66 at the time of this writing. That's down from $95 in early 2022. The steep decline gives investors a chance to buy the bank at just 7.9 times trailing 12-month earnings. Investors can also pocket a 6.25% dividend yield with decent dividend growth likely on the way for fiscal 2023 and beyond.

Economists expect a mild and short recession to occur in 2023 or 2024. This will impact loan growth and the recent surge in borrowing costs caused by soaring interest rates will likely drive-up loan losses in the next 12-18 months. As a result, Bank of Nova Scotia will probably feel some pain, but the decline in share price appears to be pricing in a much more negative outlook than is actually expected.

Bank of Nova Scotia remains very profitable and has a strong capital position to ride out a downturn. The board raised the dividend by 11% late last year and by another 3% when the bank reported fiscal Q2 2022 earnings, so management can't be too concerned about revenue and profits over the medium-term.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company with $63 billion in assets located in Canada, the United States, and the Caribbean. The company receives 99% of its revenue from regulated businesses. This means cash flow should be predictable and reliable, even during a recession.

Fortis recently raised the dividend by about 6% and intends to increase the payout by 4-6% per year through 2027. That's promising guidance considering the current economic environment.

Fortis stock is down to $53 from $65 earlier this year. The dip provides investors with an opportunity to pick up a 4.25% yield and simply wait for the dividend hikes to boost their return on investment in the coming years.

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

TC Energy, Bank of Nova Scotia, and Fortis pay attractive dividends that should continue to grow. If you have some cash to put to work, these stocks look undervalued today and deserve to be on your radar.

CATEGORY

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2. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:FTS (Fortis Inc.)
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