3 Dividend Stocks That Are Too Cheap to Ignore

Description

The market correction has knocked the prices of top TSX dividend stocks down to attractive levels. Investors seeking passive income on a Tax-Free Savings Account (TFSA) or total returns in a self-directed Registered Retirement Savings Plan (RRSP) can now buy undervalued Canadian dividend stocks offering high yields and growing distributions at cheap prices for their portfolios.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS) trades for close to $69 per share at the time of writing. That's down from the 2022 high around $95. The steep drop this year caught many investors by surprise. Bank stocks across the board fell out of favour in recent months due to rising recession concerns both in Canada and abroad.

Investors are worried that the Bank of Canada and the United States Federal Reserve will raise interest rates too high in their efforts to get inflation back down to 2%. High prices for essential goods are already forcing businesses and households to use up savings to cover soaring expenses. The sharp jump in borrowing costs could severely inhibit loan growth and trigger a jump in loan defaults if the economy slips into a deep recession.

This would be negative for Bank of Nova Scotia and its peers.

That being said, economists widely expect a recession to be shallow and brief. Their line of thinking is that household savings remain high and the very tight labour market will take time to rebalance. If they are correct, the drop in Bank of Nova Scotia's share price to the current level appears overdone.

Investors can now get a 6% dividend from BNS stock.

Telus

Telus (TSX:T) should be a good stock to buy for investors who are concerned about the depth of a possible recession 2023 or 2024. The company gets most of its revenue from essential mobile and internet service subscriptions. The revenue stream should hold up well, even if things get really ugly in the economy next year.

Telus ramped up its capital program in 2021 and 2022 to accelerate its copper-to-fibre transition. The project is largely finished, meaning capital outlays are expected to decline by about $1 billion in 2023. This should free up extra cash for dividend hikes and share buybacks.

Telus trades for close to $29 compared to the 2022 high above $24 per share. The drop appears unwarranted given the strong year-to-date results and the reliability of the revenue stream.

At the time of writing, the stock offers a 4.9% dividend yield.

Sun Life

Sun Life (TSX:SLF) operates insurance, wealth management, and asset management businesses primarily located in Canada, the United States, and the Caribbean.

The various businesses have had a rough ride in 2022. Omicron drove up mortality and morbidity insurance claims in Canada and the U.S. early this year. Lockdowns in Asia have had an impact on product sales. In addition, the market correction is putting pressure on wealth management fees.

These are short-term issues that will eventually get resolved. In the meantime, investors have a chance to buy Sun Life at a discount and pick up a decent 4.7% dividend yield. The stock is off the 2022 lows but still only trades at $61 per share right now compared to $74 at the 2022 high.

The bottom line on top TSX dividend stocks

Bank of Nova Scotia, Telus, and Sun Life pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP portfolio, these stocks appear undervalued and deserve to be on your radar.

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2. TSX:SLF (Sun Life Financial Inc.)
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