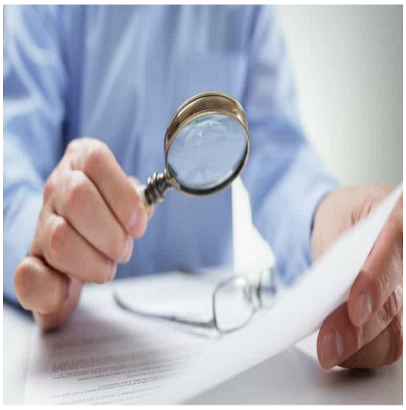

3 TSX Stocks That Are Too Cheap to Ignore

Description

The 2022 pullback in the TSX is giving Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors a chance to buy top Canadian dividend stocks at discounted prices.

BCE

BCE (TSX:BCE) trades near $62 per share at the time of writing compared to $74 in the spring of this year. The drop looks overdone, considering the ongoing solid revenue and earnings results and the sticky nature of BCE’s services.

BCE saw operating revenues increase 3.2% in the third quarter (Q3) compared to the same period last year. Adjusted net earnings increased 7.1% to $801 million. Free cash flow jumped 13.4% to $642 million.

Management confirmed full-year 2022 guidance. Revenue growth is expected to be 1-5%. Adjusted earnings-per-share growth will be 2-7%, and free cash flow growth is expected to be 2-10%. This should set the company up well for a decent dividend increase in 2023. BCE typically raises the payout by about 5% per year.

The current quarterly distribution of $0.92 per share provides an annualized yield of 5.9%.

Manulife

Manulife (TSX:MFC) operates insurance, wealth management, and asset management businesses in Canada, the United States, and Asia. The Omicron wave that occurred in early 2022 drove up mortality and morbidity claims in Canada and the United States. Covid-19 lockdowns in Asia hit product sales. In addition, the market correction through Q2 and Q3 had a negative effect on fees in the wealth and asset management segments. Finally, hurricane claims drove up expenses.

Net income for the quarter came in at $1.35 billion compared to $1.59 billion in the same period last year.

Despite the near-term challenges, the long-term outlook should be positive for Manulife. Markets will rebound, and covid-19 lockdowns will eventually end.

The stock trades near $23.50 at the time of writing compared to a 2022 high around $28. Investors who buy at the current level can get a decent 5.6% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS) traded as high as $95 earlier this year. Investors can now buy the stock for close to $69 and pick up a 6% dividend yield. Bank stocks have been under pressure in recent months, as investors try to figure out how much pain is on the way if the economy falls into a recession in 2023 or 2024.

In a worst-case scenario inflation remains high, even as the Bank of Canada and the United States Federal Reserve continue to raise interest rates. As consumers and businesses wipe out savings, bankruptcies could soar, leading to loan defaults and a potential crash in the housing market. This would be bad news for Bank of Nova Scotia and its peers.

The anticipated outcome, however, is a mild and short recession. Economists expect the tight labour market and high levels of household savings to mitigate the negative effects of rising interest rates until inflation falls back to the target level of 2%. In this scenario, BNS stock currently appears oversold at a multiple of 8.25 times trailing 12-month earnings. Bank of Nova Scotia should continue to generate solid profits and has excess capital to ride out the downturn.

The bottom line on top stocks to buy now

BCE, Manulife, and Bank of Nova Scotia pay attractive dividends that should be safe. If you have some cash to put to work, these stocks appear cheap right now and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:BCE (BCE Inc.)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:MFC (Manulife Financial Corporation)

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