3 Incredibly Cheap Dividend Stocks

Description

The market correction is giving Tax-Free Savings Account (TFSA) investors seeking passive income and Registered Retirement Savings Plan (RRSP) investors targeting total returns a good opportunity to buy top TSX dividend stocks at discounted prices.

Suncor

Suncor (TSX:SU) just raised its dividend by 11%. This is on top of a 12% increase announced in May and a 100% jump in the payout that occurred late last year. It is important to note that Suncor slashed the dividend by 55% in the early days of the pandemic, so the increases have retraced those cuts and even moved the distribution to a new all-time high. The new quarterly payout of $0.52 per share provides an annualized yield of 4.3% at the current share price near $48.

Suncor is benefitting from the recovery in oil demand. West Texas Intermediate (WTI) oil currently trades near US$85 per barrel. That's off the 2022 high above US$120 but still a very profitable price for the oil producers. Suncor's refining and retail operations are also performing well. Fuel demand is rising, as airlines ramp up capacity and commuters are heading back to the office. This trend is expected to continue through 2023.

Suncor's share price recovery has trailed its peers. The stock was about $43 per share in early 2020 before the pandemic when WTI oil was just US$60 per barrel. Other major Canadian oil producers have seen their share prices rise 100% from their pre-pandemic levels.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS) generated $8.1 billion in net income in the first nine months of fiscal 2022 compared to $7.4 billion in the same period last year. This means the company is comfortably on track to top the 2021 results, despite the challenging market conditions that exist for the banks. Adjusted return on equity in the latest quarter remained high at 15.4% compared to 15.1% in the fiscal third quarter (Q3) of 2021. Bank of Nova Scotia ended the quarter with a common equity tier-one

(CET1) ratio of 11.4%. This means the bank has a strong capital position to ride out an economic downturn.

The stock price doesn't reflect the solid earnings results or the significant cash position. Bank of Nova Scotia trades for less than $69 per share at the time of writing compared to a high of $95 earlier this year. The stock is down nearly 25% year to date.

Revenues will likely fall in 2023, and loan losses could spike, but the plunge in the share prices still appears overdone. Bank of Nova Scotia's dividend should be safe, even if a deep recession occurs, and investors can now get a 6% dividend yield.

Telus

Telus (TSX:T) recently raised the dividend for the second time this year, with a total increase over the past 12 months of better than 7%. The communications provider has given investors a raise annually for more than two decades.

Telus provides mobile, internet, TV, and security services to households and businesses across the country. Subscribers are unlikely to cut these services, even during challenging economic times. This makes Telus stock attractive to own through a recession.

Telus reported solid Q3 2022 results, and investors could see a larger dividend increase in 2023, as capital expenditures are expected to drop by $1 billion, thus freeing up more cash flow for distributions or share buybacks.

Telus stock trades near $29 at the time of writing compared to more than $34 earlier this year. The pullback gives investors a chance to secure a 4.8% yield and look forward to future payout hikes.

The bottom line on cheap dividend stocks to buy now

Ongoing market volatility is expected, but Suncor, Bank of Nova Scotia, and Telus already appear cheap and pay attractive dividends that should continue to grow. If you have some cash to put to work, these stocks deserve to be on your radar.

CATEGORY

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2. TSX:SU (Suncor Energy Inc.)
3. TSX:TD (The Toronto-Dominion Bank)

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