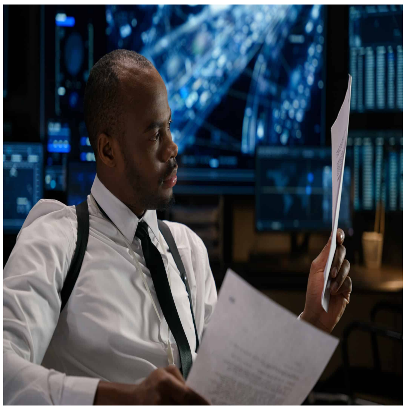

2 Canadian Dividend Stocks With 6% Yields That Are Too Cheap to Ignore

Description

The market pullback is giving Tax-Free Savings Account (TFSA) investors seeking passive income and Registered Retirement Savings Plan (RRSP) investors targeting long-term total returns a chance to buy top TSX dividend stocks at discounted prices. Yields are now above 6% in some cases, even as companies continue to boost their distributions.

Enbridge

Enbridge (TSX:ENB) has raised its dividend in each of the past 27 years, and investor should see steady payout growth in the range of 3-5% annually over the medium term. Enbridge has a $17 billion capital program on the go to support revenue growth, and management is making small strategic acquisitions to take advantage of emerging opportunities in the energy sector.

Enbridge generated adjusted earnings of $1.4 billion in the third quarter (Q3) of 2022 compared to $1.2 billion in the same period last year. Distributable cash flow was $2.5 billion in the quarter compared to $2.3 billion in Q3 2021.

Enbridge is taking a 30% stake in the Woodfibre liquified natural gas (LNG) project in British Columbia that is expected to be in operation by the end of 2027. On the renewables front, Enbridge purchased a wind and solar facility developer in the United States that has a backlog of three GW of projects. The company is also building four new storage tanks at its U.S. oil export facility in Texas to keep up with rising demand and has increased its interest in a key pipeline.

The stock trades near $53.50 at the time of writing compared to more than $59 earlier in the year. Investors who buy at the current level can get a 6.4% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS) trades for close to $68.50 and provides a 6% dividend yield. The stock price is down more than 24% this year amid widespread investor concern that a recession in

2023 or 2024 could hammer bank earnings.

It is true that a deep recession caused by a big jump in unemployment would potentially be bad news for Bank of Nova Scotia and its peers.

Inflation was 6.9% in Canada in October, which is unchanged from September. The central bank wants to see the labour market get back to a balanced state. Right now, there are too many job openings for the number of people who are looking for work. This is driving up wages, which forces businesses to raise prices. The Bank of Canada and the U.S. Federal Reserve are raising interest rates aggressively to try to slow down the overheated economy and bring inflation back down to 2%. Investors fear the central banks could take things too far.

This is certainly possible and downside risk remains for bank stocks. However, the current consensus estimate among economists is that Canada and the U.S. will see a short and mild recession next year. If that turns out to be the case, Bank of Nova Scotia stock currently looks oversold.

The bank continues to generate strong profits and enjoys a high return on equity. In fact, earnings through the first three quarters of fiscal 2022 have the bank on track to beat 2021 results. Bank of Nova Scotia remains well capitalized with a common equity tier-one ratio of 11.4%, so it has the capital in place to ride out some tough times.

The board has raised the dividend twice in the past 12 months.

The bottom line on top high-yield stocks to buy now

Enbridge and Bank of Nova Scotia pay attractive dividends that should continue to grow, even if the economy goes through a recession in the next couple of years. If you have some cash to put to work, these stocks deserve to be on your radar.

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