3 TSX Stocks to Buy While They Are on Sale

Description

The market is rebounding after a sharp correction, but many top Canadian dividend stocks still trade at cheap prices. Investors with a contrarian investing strategy are wondering which TSX stocks might be undervalued and good to buy right now.

Bank of Montreal

Bank of Montreal (TSX:BMO) has raised its dividend twice in the past year, first increasing the payout by 25% and then by another 4.5%. This would suggest the management team is not overly concerned about the potential impact of a recession in 2023 or 2024.

Bank of Montreal built up excess cash during the pandemic and is using a good portion of the funds to make a strategic acquisition to drive future growth. The purchase of **Bank of the West** for US$16.3 billion will add more than 500 branches to the American operations.

Bank of Montreal trades for close to $132 per share at the time of writing compared to more than $150 at the 2022 peak. Investors who buy at the current price can get a 4.2% dividend yield.

Telus

Telus (TSX:T) should be a good stock to buy if you are worried that an economic downturn could arrive next year and be more severe than predicted. The company's mobile, internet, and security services are deemed essential by most customers. As such, the revenue streams from these lines of business should hold up well during a recession.

Telus recently reported strong third-quarter (Q3) results, and investors should see solid dividend growth of 7-10% in 2023. The company is winding up its copper-to-fibre transition this year. That is expected to reduce capital outlays by about $1 billion. This means more cash flow should be available for dividend increases or share buybacks.

Telus stock trades for close to $29 per share at the time of writing compared to more than $34 earlier this year. Investors who buy at the current price can get 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 Asia. Earnings have taken a hit in 2022 as a result of higher insurance claims due to COVID-19 and lower fees in the wealth management segment caused by weak equity markets. These are short-term issues that shouldn't impact the long-term opportunities for growth.

An expanding middle class in India and the other Asian countries where Sun Life has a strong presence should drive higher demand for insurance and investment products in the coming years. Sun Life should also benefit from the sharp rise in interest rates in Canada and the United States, as it will be able to earn better returns on the cash it has to set aside to cover potential insurance claims.

Sun Life trades near $62 per share at the time of writing compared to $74 in early 2022. The dividend currently provides a 4.6% yield.

The bottom line on cheap stocks to buy now

Bank of Montreal, Telus, and Sun Life pay attractive dividends that should continue to grow. If you have some cash to put to work in a retirement portfolio, these stocks appear cheap right now and deserve to be on your radar.

CATEGORY

1. Investing

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2. TSX:SLF (Sun Life Financial Inc.)
3. TSX:T (TELUS)

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