



Better Buy for Passive Income: BNS Stock or TC Energy?

Description

Retirees and other investors seeking passive income are searching for high-yield [TSX](#) stocks that have good track records of dividend growth and currently appear [undervalued](#). **Bank of Nova Scotia** ([TSX:BNS](#)) and **TC Energy** ([TSX:TRP](#)) trade well below their 2022 highs and offer attractive dividend yields today.

Bank of Nova Scotia

Bank of Nova Scotia delivered solid fiscal 2022 results that beat 2021 earnings. The stock, however, remains under pressure and now trades at an attractive 8.4 times trailing 12-month earnings.

Investors are concerned that a global recession in 2023 or 2024 could hit the international operations. This is reasonable considering the pain the division endured during the pandemic. Bank of Nova Scotia has a large presence in Mexico, Peru, Chile, and Colombia. The four members of the Pacific Alliance trade block rely heavily on oil or copper revenues, so a meaningful plunge in commodity prices caused by an economic downturn would be negative for their economies.

That being said, the international division is performing well after the pandemic slump and commodity prices could remain elevated in the next couple of years, even if the global economy contracts.

Bank of Nova Scotia's adjusted net income for fiscal 2022 came in at \$10.75 billion compared to \$10.17 billion last year. The international banking group's net income for fiscal 2022 was \$2.67 billion compared to \$2.16 billion in fiscal 2021.

Bank of Nova Scotia trades near \$68 per share at the time of writing compared to \$95 at the 2022 high. The stock looks cheap and investors who buy BNS stock at the current level can get a 6% dividend yield.

TC Energy

TC Energy is having a rough 2022. The stock recently tanked on news that the Coastal GasLink pipeline project is considerably over budget. An update is on the way in early 2023, but the company says the project is on track for mechanical completion by the end of 2023, and there shouldn't be an impact on the planned dividend increases of 3-5% per year over the medium term.

TC Energy has a \$34 billion capital program on the go and is considering \$5 billion in non-core asset sales in 2023 to meet capital needs.

The company is also dealing with an oil spill from its Keystone pipeline in the United States. Pundits think a sale of the pipe could be part of the monetization plan.

Despite the near-term challenges, TC Energy is positioned well to benefit from rising domestic and international demand for North American natural gas. The company has more than 90,000 km of gas pipelines and extensive natural gas storage capacity in Canada, the United States, and Mexico.

TC Energy stock trades near \$58 per share compared to \$74 in June. Investors who buy the stock at the current price can get a 6.2% dividend yield.

Is one a better buy for passive income?

Bank of Nova Scotia and TC Energy pay attractive dividends that should continue to grow. Near-term risks remain for both stocks, but they appear undervalued right now for buy-and-hold investors. At the current share prices, I would probably split a new investment between the two stocks.

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