



Passive Income: 2 Cheap TSX Stocks to Buy Now and Never Sell

Description

The [market correction](#) is giving retirees and other dividend investors a chance to buy top Canadian stocks at [undervalued](#) prices for portfolios focused on generating reliable and growing passive income.

TC Energy

TC Energy ([TSX:TRP](#)) started out on a roll in 2022. The stock soared from \$59 per share at the end of 2021 to \$74 in early June, supported by a flood of investors looking for energy-related stocks that offer attractive yields. In the second half of last year, however, the situation reversed course for TC Energy.

Falling oil and natural gas prices triggered a wave of selling in the energy sector. TC Energy doesn't produce oil or natural gas. The company simply moves the commodities from production sites to storage locations, refineries, utilities, or export terminals and charges a fee for the service. Demand and volumes remained robust all year, so the initial drop in the share price appeared overdone.

TC Energy also took a hit due to the soaring costs on its Coastal GasLink project in British Columbia. The pipeline will eventually bring natural gas from producers in northeastern B.C. to a new liquified natural gas (LNG) facility on the coast. TC Energy resolved a cost-sharing dispute with LNG Canada in July and increased the estimate on the project to \$11.2 billion compared to the original budget of \$6.6 billion. In late November, TC Energy said things have gotten worse and that a new estimate would be made available in early 2023.

At the time of writing, TRP stock is down to \$52.50 per share. Additional weakness is certainly possible, but the plunge now appears overdone, even with the ongoing Coastal GasLink issues, and investors can pick up a solid 6.85% dividend yield.

Management still plans to increase the dividend by 3-5% annually, supported by the \$34 billion capital program.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#)) trades for \$66 per share compared to more than \$90 at this time last year. The drop caught many investors by surprise, and more volatility should be expected in the next few months, as the market tries to figure out how bad a recession might be and which banks will feel the largest negative impact.

Bank of Nova Scotia actually generated fiscal 2022 net income that topped the strong 2021 results. That being said, the big drivers of 2022 gains will likely face headwinds this year. Mortgage growth is expected to slow down, and loan losses could increase due to the sharp rise in interest rates in recent months.

Capital markets activities are also expected to be weak with fewer deals likely to occur this year. On the wealth management side, stock markets might not have bottomed yet, and fees could come under pressure, as people cash out investments and savings to cover higher loan costs and rising living expenses.

Overall, fiscal 2023 will be a challenging year for Bank of Nova Scotia, but this doesn't mean the bank won't generate good profits. The profit growth might just slow down or simply stall while the economy goes through a rough patch.

At the current multiple of 8.25 times trailing 12-month earnings BNS stock is priced for much worse economic conditions than most economists expect will arrive this year and in 2024. As such, the stock looks oversold, and investors can now pick up a 6.2% dividend yield.

Bank of Nova Scotia raised its dividend in 43 of the past 45 years.

The bottom line on top stocks to buy now for passive income

TC Energy and Bank of Nova Scotia pay attractive dividends that should continue to grow. If you have some cash to put to work, these stocks look cheap and deserve to be on your radar.

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Date

2025/08/23

Date Created

2023/01/10

Author

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