2 Top TSX Dividend Stocks to Buy Right Now

Description

Canadian stocks are rebounding after the market correction, but some great TSX dividend stocks still look undervalued and offer attractive yields for retirement portfolios focused on passive income and total returns.

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TD Bank

TD (TSX:TD) is one of Canada's best dividend-growth stocks. The board increased the payout by 13% in fiscal 2022, and investors have received a compound annual growth rate of better than 10% over the past 25 years.

The company generated strong fiscal 2022 earnings that topped the 2021 performance, so investors should see another generous distribution boost this year, even with the economic headwinds that face TD and the rest of the banking sector.

TD stock trades near $89 per share at the time of writing. This is comfortably above the 2022 closing low around $78 but still way off the $109 trading high it hit last February.

Bank investors have became increasingly worried about the impact of soaring interest rates on borrowers. Rising mortgage costs are combining with high inflation to put pressure on household budgets. If the economic slowdown planned by the Bank of Canada and the U.S. Federal Reserve in their efforts to get inflation under control turns into a deep and extended recession, the tight jobs market could reverse course, triggering a surge in unemployment and a wave of loan defaults.

TD has a large Canadian residential mortgage portfolio, so a jump in household bankruptcies would potentially drive home prices down to a level where mortgages owed are higher than the property values on some loans.

While this scenario is possible, it is unlikely to materialize. Economists widely predict Canada and the United States to go through short and mild recessions.

TD says it expects to generate 7-10% adjusted earnings growth on a per-share basis in fiscal 2023, despite the economic headwinds. This is partly due to anticipated benefits from two acquisitions in the United States that expected to close in the coming months.

At the time of writing, TD stock appears attractive at 9.4 times trailing 12-month earnings. The stock currently offers a solid 4.3% dividend yield.

BCE

BCE (TSX:BCE) should be a good stock to buy if you are concerned about the threat of a recession in the next 12-18 months.

The company gets most of its revenue and profits from mobile and internet subscriptions. Businesses and households need these services in all economic conditions, so the revenue stream should hold up well in an economic slump.

This doesn’t mean BCE is recession proof. The company will likely see hardware sales drop and the media division will probably feel the pinch, as clients cut advertising budgets. BCE owns a television network, radio stations, specialty channels, and digital assets that rely on advertising revenue.

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The stock trades near $62.50 at the time of writing compared to nearly $74 at the closing high last spring. The drop appears overdone given the solid performance of the business in 2022. BCE is expected to report full-year 2022 results that hit all of its revenue, earnings, and free cash flow growth targets.

At the time of writing, investors can get a 5.9% dividend yield from BCE stock. The board increased the payout by at least 5% in each of the past 14 years. A similar distribution hike should be on the way for 2023.

The bottom line on top TSX dividend stocks

TD and BCE pay attractive dividends that should continue to grow. If you have some cash to put to work in a portfolio focused on dividends, these stocks deserve to be on your radar.

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1. Dividend Stocks
2. Investing

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