



## Top Dividend Stock: Canadian Imperial Bank of Commerce or Enbridge Inc.?

### Description

Canadian dividend investors are searching for quality stocks to add to their RRSP or TFSA portfolios.

The strategy is a popular one and can generate significant results, especially when the distributions are reinvested in new shares.

Let's take a look at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) to see if one is more attractive today.

### CIBC

Investors often overlook CIBC when considering a bank stock for their portfolios. It's easy to see why that's the case, as the company is the baby of the Big Five Canadian banks and has a history of making some serious blunders.

The last one occurred when the bank had to take massive write-downs against bad bets on subprime mortgages in the United States.

In the wake of the financial crisis, management refocused efforts on the Canadian market, and that has proven to be a very profitable move, but pundits are now concerned CIBC is too exposed to Canada.

It's true that a meltdown in the Canadian housing market would likely hit CIBC harder than its larger peers, but the fear that is showing up in the stock price might be a bit overdone.

Why?

CIBC currently trades at less than nine times trailing earnings, which some pundits would argue is a financial-crisis level compared to valuations of 11.6-12.9 times for its larger peers.

The company is taking steps to improve the diversification of its revenue stream, including the recent deal to acquire Chicago-based PrivateBancorp. This should provide CIBC with a strong platform to expand its U.S. presence in the coming years.

In addition, CIBC is well capitalized, and a significant part of the mortgage portfolio is insured. House prices would have to tank before CIBC takes a material hit. Most analysts expect a gradual pullback in the housing market.

The dividend should be safe, even if the Canadian economy hits a rough patch. Investors who buy the stock today can pick up a yield of 4.8%.

## **Enbridge**

Enbridge recently closed its \$37 billion acquisition of Spectra Energy in a deal that creates North America's largest energy infrastructure company with oil and liquids pipelines, gas utilities, and renewable energy assets.

Enbridge has \$27 billion in commercially secured development projects on the go that should provide enough cash flow growth to support annual dividend increases of at least 10% through 2024.

The great thing about most of Enbridge's assets is that once they are installed, they act as tollbooths for decades.

Enbridge has a strong track record of dividend growth, so investors should feel confident with the guidance. The current dividend provides a yield of 4.8%.

## **Is one more attractive?**

Both stocks should be solid buy-and-hold picks for RRSP or TFSA portfolios.

CIBC looks oversold, but Enbridge probably offers better dividend growth over the medium term, so I would go with the pipeline giant as the first pick today.

## **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

## **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:ENB (Enbridge Inc.)

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