RRSP Investors: 2 Oversold Canadian Stocks to Consider for the Next 20 Years

Description

Canadians are using their self-directed RRSP accounts to hold stocks they think will deliver solid returns over the coming decades.

Top companies rarely go on sale, but once in a while, the market gets negative on a name or a segment, and investors with a buy-and-hold perspective can pick up a good deal.

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 they are interesting picks today.

CIBC

CIBC took a big hit during the Financial Crisis when it was forced to write down billions in bad bets on the U.S. subprime mortgage market.

In the wake of the Great Recession, the company doubled down its focus on Canada, which has proven to be a very profitable move, but investors are now concerned that CIBC is too exposed to the Canadian market.

It's true that CIBC has significant relative exposure to the domestic housing market, but the company is well capitalized, and the mortgage portfolio is capable of riding out a downturn.

Last year, CIBC said its stress tests show the company's mortgage losses would be less than $100 million if house prices fell 30% and unemployment rose to 11%.

The dividend should be safe, even if the housing market gets ugly, and CIBC is taking steps to diversify its revenue stream through a couple of recent acquisitions in the United States.

At the time of writing, investors can pick up a yield of 4.7%.

The stock is trading for about nine times its trailing 12-month earnings, which is a steep discount to its peers.

Enbridge

Enbridge is down amid the broad sell-off in the energy sector, but the outlook suggests the negative sentiment might be a bit overblown.

Why?

Enbridge closed its $37 billion purchase of Spectra Energy earlier this year in a move that created North America's largest energy infrastructure company.

The addition of Spectra provides a more balanced asset base as well as a larger development portfolio.

In fact, Enbridge says it's $27 billion in commercially secured projects and $48 billion in risk-adjusted development opportunities should generate enough cash flow growth to support dividend hikes of at least 10% per year through 2024.

The stock already provides a yield of 4.7%, so investors stand to do well, even if the share price doesn't increase much in the medium term.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for an RRSP portfolio.

At this point, however, I would probably make Enbridge the first choice based on the strong dividend-growth guidance. CIBC is tempting at the current price, but we could see an even better entry point in the near term.

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