# RRSP Investors: Should You Buy Toronto-Dominion Bank or Canadian Imperial Bank of Commerce Today?

## Description

Canadian investors are searching for top buy-and-hold stocks to put in their retirement portfolios.

The Canadian banks have always been popular picks for core positions in many RRSP accounts, but concerns about the Canadian housing market have some investors wondering if the banks are still attractive.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) to see if one should be on your buy list.

**TD**

TD is widely viewed as the safest bet in the Canadian banking industry.



Why?

The company gets most of its revenue from retail banking operations, which tend to be less volatile than other sectors, including capital markets.

TD also has limited direct exposure to the energy sector, and its large U.S. division provides a nice hedge against difficult times in Canada. In fact, the U.S. retail operations generate about a third of the company's earnings.

On the housing front, TD has a large mortgage portfolio, but the company is more than capable of riding out a downturn. Insured mortgages represent 47% of the loans, and the loan-to-value ratio on the rest is 49%. This means house prices would have to fall significantly before the bank takes a meaningful hit.

TD trades for about 12.7 times trailing earnings. The dividend provides a yield of 3.7%.

**CIBC**

CIBC tends to sit on the other end of the risk spectrum when the Big Five Canadian banks are analyzed.

The company has more loans tied to the energy sector than TD, and it has higher relative exposure to the Canadian housing market.

As a result, investors are more cautious about the stock, which currently trades at a significant discount to TD and the other large banks.

At less than nine times trailing earnings, some pundits would say CIBC is priced for a financial crisis.

The company said last year that its stress tests show the bank would suffer less than $100 million in mortgage losses if house prices fell 30% and unemployment in Canada rose to 11%. The number sounds big, but it is not significant when you consider the company has more than $200 billion in housing loans.

CIBC is diversifying its revenue stream through acquisitions in the United States. This should help mitigate some of the domestic risk.

The dividend currently provides a yield of 4.7%.

**Is one a buy?**

The banks probably won't deliver the same growth in the medium term that they have enjoyed in recent years, but these companies remain very profitable and still represent solid buy-and-hold dividend picks for an RRSP.

If you can handle a bit of extra risk, CIBC might be the way to go today. The dividend should be very safe, and the stock appears to be oversold.

Otherwise, TD is a comfortable buy-and-forget choice and still offers an attractive yield.



**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:TD (The Toronto-Dominion Bank)

**PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

**Category**

1. Bank Stocks
2. Dividend Stocks
3. Investing

**Date**

2025/08/24
**Date Created**
2017/08/21
**Author**
aswalker