

TFSA Income Investors: 2 High-Yield Stocks That Look Oversold

Description

Canadian income investors are searching for top dividend stocks or REITs to add to their TFSA portfolios.

Let's take a look at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) to see why they might be interesting picks right now.

CIBC

CIBC is trading at a significant discount to its Canadian peers.

Why?

The bank is widely viewed as being the most exposed to a plunge in Canadian house prices. It's true that CIBC would likely take a larger hit than the other banks due to its higher relative mortgage holdings, but things would have to get pretty bad before CIBC takes a material hit.

To put things in perspective, the bank said last year that a 30% price drop in the housing market and an 11% unemployment rate would result in mortgage losses of less than \$100 million. CIBC's mortgage portfolio, including HELOCs, tops \$200 billion.

Management just raised the quarterly distribution, so the bank can't be overly concerned about the revenue and earnings outlook.

At the time of writing, you can pick up a 4.9% yield from this stock.

RioCan

Investors are bailing out of the REIT sector amid fears that rising interest rates will do some serious damage to cash available to pay the distributions.

Higher rates make debt more expensive, which isn't good for highly leveraged REITs, especially those that won't be able to pass on the higher costs in the form of increased rent or boost revenue through growth.

RioCan has done a good job of paying down its debt load and continues to see strong demand for its retail locations.

In addition, the company has a number of growth projects on the go, including a plan to build up to 10,000 residential units at its top locations over the next 10 years.

The unit price has come down 15% in the past 12 months and now offers an annualized yield of 5.9%.

While some of RioCan's tenants face a questionable future, fears about the demise of retail might be overdone, and the company gets no more than 5% of its revenue from any single client.

Is one more attractive?

Both companies should be reliable picks for an income portfolio.

If you only buy one, I would probably make CIBC the first choice today. The bank continues to boost its distribution and is investing in the U.S. to diversify its revenue stream. CIBC is now trading levels that some pundits would consider to be reasonable in a financial crisis.

That's not likely in the cards in the near term.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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