TFSA Investors: 2 Dividend-Growth Stocks Selling for Cheap

Description

I have good news for investors using their Tax-Free Saving Accounts (TFSAs) to build an income-generating portfolio: you can still find respectable stocks offering higher-than-average yields, despite the last decade's rush to snap up quality dividend stocks.

Here are two dividend-growth stocks that offer a good bargain for long-term investors who are looking for juicy yields as they maximize their TFSA limits.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) has been trading at a discount when compared to other large Canadian banks this year. The biggest reason for this underperformance is CIBC's large exposure to the housing market.

As home prices began to fall in Toronto from record high this spring, investors moved to the sidelines, fearing higher delinquencies in the lender's mortgage portfolio.

But luckily, this scenario didn't play out. After four months of declining sales and prices, September saw a rebound in home sales in Toronto, the nation's largest city.

According to the Toronto Real Estate Board (TREB), the average GTA home sold for $775,546 in September, up 5.9% from August's average of $732,292.

Prices were up 2.6% compared with September last year, but they remain 15.8% lower than they were at the market's peak in April before the downturn began.

CIBC stock fell ~13% during this uncertainty from the 52-week high of $120. This plunge pushed its dividend yield higher to 4.7%, almost one percentage point higher when compared to **Royal Bank of Canada**, for example.

But the latest price action suggests that the downturn for CIBC stock is over. During the past month, CIBC stock is moving higher along with other banking stocks, gaining ~6% to $111.11 a share.

Trading at 10 times trailing earnings, I think CIBC is still cheap when compared to other banks. Canada’s strengthening economy, a rebound in GTA’s housing prices, and CIBC’s expansion into the U.S. market are some of the factors that will help CIBC to produce above-average returns for its shareholders going forward.

First National Financial Corp.

Toronto-based **First National Financial Corp.** (TSX:FN) is another lender which faced a similar selling pressure during the past six months.

First National has been maintaining a solid position in Canada’s single-family home mortgage market. Being the largest non-bank mortgage originator and underwriter in Canada, it holds one of the top three positions in the mortgage broker channel. Overall, First National has about 5% share of Canada’s single-family mortgage market.

But investors shunned this stock after troubles at **Home Capital Group Inc.** emerged this spring. Trading at $26.79 a share, FN stock has hardly budged this year.

Now that Home Capital Group has stabilized its financial position after getting a lifeline from **Berkshire Hathaway Inc.**, FN stock deserves a better valuation.

Offering ~7% dividend yield with over 10 years of sustained payment history, FN stock seems a good buy. The company’s dividend-payout ratio of 52 is also manageable.

At seven times trailing earnings, FN shares offer an attractive value for long-term investors. Shares have the potential to breach the 52-week high of $30.02 by the end of this year.

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:FN (First National Financial Corporation)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/05
Date Created
2017/10/11
Author
hanwar