Is Toronto-Dominion Bank (TSX:TD) or Canopy Growth Corp. (TSX:WEED) a Better RRSP Bet Today?

Description

The pullback in the Canadian market has hit all sectors across the TSX Index. This is providing investors with a broad choice of top stocks that are now trading well below their highs for the year.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Canopy Growth Corp** (TSX:WEED)(NYSE:CGC) to see if one is attractive today for your RRSP portfolio.

TD

TD delivered solid Q3 2018 earnings, and the positive trend is expected to continue. Across the company, total adjusted earnings-per-share rose 10%. Net income hit $3.1 billion. That's more than $1 billion in profit per month.

The U.S. retail business, where TD operates more branches than in Canada, was the star of the quarter with adjusted net income rising 29%. Lower taxes and rising interest rates combined with increased deposits to deliver the strong results. Total net income from the group hit $1.14 billion.

Some investors might be concerned that rising interest rates will hurt the mortgage business. It is true that the Canadian housing market is expected to cool off, but the rise in mortgage rates over the past two years hasn't triggered the major downturn that investors feared. Pain could still be on the way, but TD's mortgage portfolio is capable of riding out a rough patch. Insured mortgages represent 37% of the loans and the loan-to-value ratio on the rest is 52%.

TD has a strong track record of dividend growth, which should continue in line with earnings. The company raised the payout by more than 11% in 2018. At the time of writing, the stock trades at $71, down from the 2018 high of $80. The dividend provides a yield of 3.8%.

Canopy Growth

Canopy Growth emerged as the earlier leader in the Canadian medical marijuana industry and iswidely viewed as the name to beat in the global market.

The company made key acquisitions when valuations were more reasonable, including the deal to buy Mettrum Health and the acquisition of a German pharmaceutical distributor. The Mettrum Health purchase added important production capacity and national brands. The move into Germany set Canopy Growth up to be a significant player in Europe as the medical marijuana market evolves.

On the recreational side, Canopy Growth has partnered with U.S. drinks giant Constellation Brands. The beer, wine, and spirits company has invested a total of $5.245 billion to acquire a 38% stake in Canopy Growth. Together, the two companies are developing cannabis-infused drinks for the Canadian market, which is expected to be open in 2019.

Canopy Growth’s share price has been volatile. The stock traded above $76 in October, but has come down in recent weeks due to the rough start to the recreational pot launch in Canada. Investors can now pick up the shares for less than the $48.60 Constellation paid in August.

Is one a better RRSP bet?

TD is the safer choice and currently looks oversold. If you have a conservative investing style and simply want to buy a stock and forget about it for two decades, TD is the way to go.

Canopy Growth carries significantly more risk. The company still isn’t profitable and remains extremely expensive despite the recent sell-off. That said, investors who can handle ongoing volatility and are of the opinion the global cannabis industry will grow as expected might want to take a small position on further weakness.

Other stocks are also worth considering today.

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