



This Is the Top Dividend Stock TFSA Investors Should Buy for 2019

Description

This is not an easy environment for new investors to make up their minds about top dividend picks for 2019. On the horizon, there are many risks that could make next year one of the worst for equity investors.

But if you're a long-term investor and looking to use your [Tax-Free Savings Account](#) (TFSA) to build your retirement portfolio, I still have a few dividend stocks that I see massively undervalued and could stage a nice rebound in 2019. One of them is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), the smallest lender among the top five Canadian banks.

After taking a 14% plunge during the past six months, the stock is trading close to the 52-week low. That's quite a beating since September and is in line with the general weakening environment for cyclical stocks tied to the economy.

But what makes CIBC stock a good candidate for your TFSA portfolio is the lender's strong position in the Canadian economy and its growing operations south of the border. In the most recent quarter, the lender posted a 22% jump in profit from U.S. commercial banking and wealth management.

The U.S. unit contributed \$131 million to earnings, up from \$107 million a year ago, when it acquired Chicago-based PrivateBancorp in its largest takeover ever. This kind of growth is keeping [CIBC on track](#) to make 17% of earnings from U.S. businesses by 2020.

On the domestic side, investors are concerned about the lender's large mortgage portfolio, a part of the business which is growing slowly after the government tightened mortgage rules and the housing market entered a slow patch this year.

That slowdown hurt the lender's first-quarter domestic earnings and contributed to CIBC's first earnings miss on Nov. 29 after it topped analysts' estimates for 15 consecutive quarters.

Focus on dividend income

For TFSA investors, however, this weakness offers a good entry point to take advantage of the bank's attractive dividend yield, now topping 5%. I don't think the lender's growing payout is under threat,

even with slowing mortgage market.

CIBC's robust performance at its U.S. operations offers a good hedge against the domestic weakness. After its acquisition of PrivateBancorp, the lender is on strong footing to diversify its earnings base and grow its bottom line.

After its recent dividend hike, CIBC's total payout growth was about 5% in 2018, well above the rate of inflation. Trading at \$106.73, CIBC stock looks a great buy for TFSA investors. Its current dividend yield is one of the highest among the major banks with a good potential for capital gains.

Analysts' consensus price target for the next 12 months for CIBC is \$128.3, meaning a 20% upside move. If history has any relevance, Canada's top banking stocks rebound quickly once they have taken a hit.

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