2 Oversold Stocks to Hold in Your RRSP for Decades

Description

The strong rebound in the TSX Index to start 2019 has caught many investors by surprise, but there are still opportunities to pick up oversold stocks for a self-directed RRSP portfolio.

Let's take a look at two companies that might be interesting picks today.

Suncor (TSX:SU)(NYSE:SU)

The price of WTI oil has recovered from a low near US$42 per barrel on December 24 to US$54. That bodes well for Suncor's oil sands production given the fact that the company is able to realize WTI or Brent pricing for most of its output. In addition, Alberta is cutting back its output restrictions as a result of a significant improvement in Western Canadian Select prices.

WCS had fallen to US$12 per barrel in late November, but is now back above US$42 per barrel.

The downstream assets, which include Suncor's four large refineries, provide a revenue hedge when oil prices fall, and while the WCS recovery might put a dent in some of the nice margins the group enjoyed in recent months, the division should continue to perform well.

Suncor has a strong track record of dividend growth, which should continue as production increases at both the oil sands and the offshore developments drive higher revenue and cash flow. At the time of writing, the distribution provides a yield of 3.4%.

Suncor's stock is up from $36.50 in December to $42 per share, but is still well below the 2018 high of $55. With Venezuela in crisis and U.S. sanctions against Iran now in full force, oil should drift higher in 2019 and Suncor could take a run at the 12-month high.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC has significant exposure to the Canadian residential housing market. If houses prices tank, the company will likely take a larger hit than its peers, which is one reason the market won't give the stock the same multiple enjoyed by the larger Canadian banks.

At this point, it appears the Bank of Canada and the U.S. Federal reserve are going to pause their rate hike programs, which should give Canadian homeowners a chance to adjust their finances to accommodate the increases that occurred last year. The threat of a housing crash has greatly diminished and a soft landing is most likely on the way for the Canadian residential property market.

In addition, CIBC added some diversification to the revenue stream when it spent US$5 billion to buy Chicago-based PrivateBancorp. This could be the start of a longer-term growth strategy south of the border that should help support a higher price-to-earnings multiple in the coming years.

The stock is back up to $111 from a low around $100 in December, but could easily retest the $124 mark it hit in September last year on a continued recovery in the broader financial sector. Investors who buy today can pick up a yield of 4.9%.

The bottom line

Suncor and CIBC still appear oversold and should be solid buy-and-hold picks for a self-directed RRSP fund.

Other opportunities in the market are also worth considering today.

CATEGORY

1. Bank Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/24
Date Created
2019/02/01
Author
aswalker