Is Canopy Growth Corp (TSX:WEED) or Toronto-Dominion Bank (TSX:TD) Stock a Buy for Your TFSA Today?

Description

Canadian investors are trying to decide which stocks will drive the best returns in their self-directed TFSA portfolios.

Let's take a look at **Canopy Growth** (TSX:WEED)(NYSE:CGC) and **TD Bank** (TSX:TD) (NYSE:TD) to see if one is an attractive choice right now.

Canopy Growth

The emergence of marijuana stocks from penny-stock status to TSX Index members in a very short time frame has taken many people with long track records in the investing community by surprise. There is still no shortage of pundits saying the sector's stellar rise is destined to end badly, but the longer the party rolls along, the more comfortable big money will become with owning positions in the top players.

At the time of writing, Canopy Growth trades for $61 per share and has a market capitalization of $21 billion. Two years ago, the stock was $11. A quick look at the chart over the past 12 months suggests investors should have a stomach for volatility if they decide to buy. Canopy Growth went from $73 in mid-October to $36 near the end of the year before staging an impressive recovery in the past couple of months.

At this point, I wouldn't back up the truck, but investors who are of the opinion that the global marijuana industry will develop as expected might want to consider taking a position in Canopy Growth on the next dip. Size matters in this business, and the result of the anticipated consolidation will likely be a handful of players that control the bulk of the market. Given its leadership position in both the medical and recreational space, Canopy Growth should be one of the names that ends up on top once all the dust settles.

TD

TD also saw its stock take a hit in the last quarter of 2018, falling from $80 per share in September to a December low near $66. Savvy investors who stepped in at that point are sitting on some nice gains after a strong rebound, although the stock has recently pulled back a bit after the fiscal Q1 earnings came in a touch light.

TD says it still anticipates earnings-per-share growth to be at least 7% per year over the medium term. The company's U.S. operations now generate about a third of the total profits, providing a nice hedge against any potential downturn in Canada. Some pundits have warned the Canadian housing market could take a nosedive. If a crash occurs, TD and its peers would certainly feel some pain, but the most likely outcome is a soft landing, especially now that the Bank of Canada appears to be willing to sit back and evaluate the situation a bit longer before implementing any additional rate hikes.

That said, talk of an economic slowdown in both Canada and the global market is picking up steam, so investors might want to take a cautious approach until the next quarterly results come out. Overall, however, TD remains an attractive buy-and-hold pick, and the 4% dividend yield pays you well to wait for the next upturn if the banking sector hits another rough patch.

Is one more attractive?

Investors who prefer to buy a stock and forget about it for two or three decades should probably make TD the first choice for their TFSA. Those who can handle a bit of extra risk and are of the opinion the cannabis sector is really going to take off might want to nibble on Canopy Growth. At the current revenue stream, this marijuana stock appears very expensive, but that was also the case when it traded for $11.

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:TD (The Toronto-Dominion Bank)
4. TSX:WEED (Canopy Growth)

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