2 Lucrative Canadian Dividend Stocks to Buy for a TFSA

Description

Two pieces of recent news put **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) ahead of the pack when it comes to picking a bank stock for a TFSA. Firstly, its American arm CIBC Bank USA picked up an “outstanding” rating from the Federal Deposit Insurance on the back of a Community Reinvestment Act Performance Evaluation.

Secondly, CIBC Asset Management recently made clear its intention to terminate its **Renaissance Global Resource Fund** later in 2019 due to the fund’s comparatively small size. Overall, investors looking to stack shares in CIBC have a high-quality, actively streamlining financial stock to mull over. Let’s see what the market data looks like and decide what kind of signal is returned.

The data indicates CIBC is TFSA-worthy

Up 0.69% in the last five days at the time of writing, CIBC continues to be popular with investors. It’s had a good year, though its 0.2% returns over the past 12 months fell short of the Canadian banking average of 4%. However, it’s been positive in terms of earnings, with growth of 10.3% over that period.

Its five-year average past earnings growth of 10.9% is also a notable metric, since it shows better five-year performance than other Canadian banks en masse, which averaged an 8.6% growth in earnings for the same period.

In terms of its balance sheet, CIBC looks fairly normal on the face of it, with liabilities consisting largely of low-risk sources of funding, and loans funded mainly by customers’ deposits. This stock should suit the risk-averse buyer, therefore.

Further indication of this stock’s suitability for a low-risk investor would be the fact that the average tenure for a CIBC board member is 10 years, while the average management team member has been around for 3.3 years, both figures therefore being average for the industry and indicative of a fairly experienced set of hands at the wheel.

A stable dividend yield of 4.97%, in concert with CIBC’s market share, its position within the broader

Canadian economic landscape, and its size, make for a solidly defensive investment and a good stock to pack in a TFSA.

CIBC's market ratios show decent intrinsic value for money, meanwhile, with a P/B of 1.5 times book aligning perfectly with both the Canadian banking industry and the TSX index itself, making for a stock that matches the market and its peers on per-asset valuation.

Meanwhile, this stock makes an attractive accompaniment

Up 2% at the time of writing, **Suncor Energy** (TSX:SU)(NYSE:SU) has avoided the battering some other Canadian oil and gas stocks took over the weekend. In terms of a recent track record, Suncor Energy's returns of 25.9% over the past three years have beaten the Canadian oil and gas average, which is, in fact, slightly negative (-1.6%). In short, it's a worthy accompaniment to an investment in the Canadian financial industry.

A healthy ticker, Suncor Energy's balance sheet is typified by a debt level that at 39.4% of net worth is just about satisfactory; the valuation looks good, too, for this ubiquitous energy stock, trading at a 30% discount off the future cash flow value, with a P/E of 21 times earnings and market-level P/B of 1.5 times book.

The bottom line

Suncor Energy's dividend yield of 3.94% is above the bottom 25% of Canadian dividends, but below the top 25%. What stands this stock in such good stead for a long-term TFSA investment, though, is not just that acceptably high yield, but also (as with CIBC's dividends) its 10-year stability and growth in payments over that period. With a 20.4% expected annual growth in earnings, and CIBC's 6.3% expected annual growth, they make a solid pairing.

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