Careful Investors: 2 “Dangerous” Stocks to Swap Out Now

Description

After a hard week on the markets, cautious stock investors are no doubt going through their portfolios looking for dead wood at the moment. Below are two stocks that a long-term stockholder may want to pare from their TFSAs, RRSPs, or other stock portfolios, along with a suggested replacement for each.

Battle of the banks

Low expected growth and missed expectations make **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) possibly the least popular of the Big Five bankers to buy shares in right now, although that dubious title is up for grabs. Unfortunately, CIBC fails to impress at the moment, with low growth estimates and a greater exposure to the Canadian economy than its more geographically diversified peers.

Stock market pundits sometimes include an arguably more stable banker with the top guns of the Bay Street crowd to make up the Big Six; if **National Bank of Canada** (TSX:NA) continues to improve, you might expect to see the sextet get grouped together more often. Solid three-year returns of 35.43% show that this stock is worthy of long-term investment, with a yield of 4.18% on the table.

Forget CIBC’s apparent attractive market ratios — a banking stock should have solid growth in earnings ahead of it to match fair valuation, especially with so much volatility rattling the TSX index. While trading with higher market ratios, National Bank of Canada is looking at an improvement on last year’s growth, with an expected increase of 7.84% at the end of the next quarter.

A substitution for cautious aviation investors

As an aviation stock, **Boeing** (NYSE:BA) is as divisive as they come: on the one hand, momentum investors have an overpriced stock prone to big dips and big climbs; on the other hand, the cautious investor sees a brand vulnerable to bad PR.

However poor value it is, and though its dividend yield is on the modest side, as a space stock, Boeing is an intriguing play. With NASA recently rolling out its innovative Gateway project, and a privatized space mining economy around the corner, Boeing and some of its aerospace sector peers look like exciting investment choices right now.

However, excitement is perhaps not exactly what a TFSA or retirement investor is looking for right now. A better-valued play for the low-risk, long-range investor might be **Chorus Aviation** (TSX:CHR). This maneuver would swap out Boeing for a Canadian option, while retaining exposure to the aviation sector.

Chorus Aviation came out of last week largely unscathed, with its chunky 6.43% dividend yield, attractive valuation, and some expected growth in earnings making it a solid buy. With diversification coming from a range of aviation activities and partnerships with top-tier players in the sector, it's a fairly defensive play in this space.

The bottom line

CIBC is expected to end the fiscal year with negative earnings growth, with the current quarter up only 0.32% compared to last year. It's no surprise, then, that analysts are calling for a hold signal. Meanwhile, National Bank of Canada has healthier growth estimates, while Chorus Aviation could be a solid homegrown replacement for Boeing.

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1. NYSE:BA (The Boeing Company)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:CHR (Chorus Aviation Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:NA (National Bank of Canada)

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