Buy-and-Hold Investors: Should You Buy CIBC (TSX:CM) or Suncor (TSX:SU) Stock?

Description

New investors have some strong plays for long-term wealth creation in low-risk areas rich with stable dividends. But choices have to be made, and some stocks are better for a defensive position than others, especially with a raft of economic stressors facing newcomers to the TSX.

Today, we'll put two exemplary Canadian stocks side by side and see which one is better suited to a long-range play for low-risk passive income.

A lower-cost play for Canadian banking exposure

CIBC (TSX:CM)(NYSE:CM) is often held up as a buy-and-forget kind of stock — the sort of stock that a low-risk investor can stash in an RRSP or TFSA and hold no matter what happens with the market. While there are definitely quality indicators that back this up, there are also a few reasons to think twice before stacking shares.

First of all, let's look at the reasons to buy. CIBC pays a tasty dividend yield of 5.15%, the meatiest of the Big Five. Its dividend is backed up with an impressively long history of distribution protection even during the worst days of the last financial crisis. Its earnings are also consistently on the up, providing assured, if not remarkable growth, and it's increasingly diversifying into foreign markets.

Now, let's look at a couple of reasons to hit the pause button. First of all, CIBC is a narrow-moat stock. While it's the most affordable of the Big Five bankers, it's also at risk of surrendering market share.

Secondly, CIBC is arguably more exposed to a housing market downturn than its peers, and with the very real potential of an overheated market suddenly bursting, the banker could find itself having to bite into its profits.

A wide-moat play for long-term, higher oil

Suncor Energy (TSX:SU)(NYSE:SU) is a decent play for value at the moment and a potentially satisfying play on future higher oil prices. While the global economy could certainly do without an extended period of higher oil right now, investment opportunities certainly exist in this scenario. Even if they don't materialize, Suncor is a steady roller, even on lower oil, and pays a solid dividend, currently yielding 4.22%.

With the Trans Mountain expansion project backed by the Liberal government, big oil producers could see their economic moats widened substantially over the coming years — and even more so if Canadian oil ends up benefitting from potentially weaker American shale output in the longer term.

However, since the Liberal government also plans to use funds from the Trans Mountain pipeline to power clean energy projects, Suncor could see its business increase on two fronts, with both its more obvious crude operations as well as its wind and biofuels segments potentially benefitting.

New investors looking for energy diversification therefore have a strong play here.

The bottom line

If a recession did indeed hit Bay Street, CIBC might find itself having to dig to defend its economic moat. Meanwhile, on top of its other quality indicators, Suncor displays a greater degree of "moatiness" than CIBC and is therefore the better buy for long-term stockholders seeking a "low-blood-pressure" approach to dividend investing.

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