2 Deeply Oversold Stocks to Buy for Your TFSA

Description

The prevailing unstable economic conditions are exhibiting signs that a recession is on its way soon. In times like these, investors need to look for stocks that can provide them with good value for their money.

Investing in stocks that are trading below their intrinsic value presents an ideal opportunity for your wealth growth in the long run.

Many stocks trading on the **Toronto Stock Exchange** seem to be oversold right now. The prices of both **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Imperial Oil** (TSX:IMO)(NYSEMKT:IMO) are comparatively lower than what investors expect them to be. Despite the lower valuation, both stocks have strong fundamentals and growth potential.

I'm going to discuss both stocks and how buying and holding these shares in your Tax-Free Savings Account (TFSA) could prove to be beneficial for you in the long term.

Banking royalty

Canadian Imperial Bank of Commerce, also known as CIBC, is known as a substantial investment for many reasons. One of the biggest reasons investors love buying and holding shares from the company is the juicy dividends that the stock pays out every quarter at a yield of 5.18%.

CIBC is performing well in terms of capital gains, as well. Climbing 10.75% over the past five years to a share price of $111.15, CIBC stocks look quite healthy.

With a trailing P/E ratio of 9.93, CIBC stocks seem oversold. The slight downturn in its share prices, despite strong fundamentals, comes from the overall performance of banking stocks in Canada.

Its exposure to domestic mortgages and consumer credit is affecting its share prices, and Canadians are selling their shares because they are afraid of the increasing consumer debt levels.

Its international operations, particularly in the U.S., seem to be a saving grace that can help the bank perform better in the coming months. Its retail services in the U.S. banking sector can potentially mitigate the downturn in its domestic operations.

Energy royalty

The year 1880 saw oil refiners join together to form Imperial Oil. In 1889, Standard Oil bought a controlling interest in the company. The company struck gold in 1947 with the discovery of oil in Leduc, Alberta.

With its focus on oil sands, Imperial is one of Canada's largest energy companies.

The company owns a significant amount in downstream assets, including 1,800 Eddo-branded service stations and refineries. Investors love Imperial stocks because it pays dividends at a respectable 2.58%.

The fact that it has never missed making dividend payments in the past 100 years makes it an even more attractive option to consider.

Currently, the company's shares have a slightly depressed value. Trading at $34.08 per share at writing, IMO stocks have a P/E ratio of just 9.47.

The company has an edge over competitors because of its company-owned pipeline and refinery infrastructure. With strong fundamentals, IMO has sustainable dividends and potential for growth.

Foolish takeaway

With excellent fundamentals and P/E ratios that indicate the possibility of substantial growth in the coming years, you could consider both the Imperial Bank of Commerce and Imperial Oil stocks for your TFSA. Between lengthy dividend streaks and capital gains, the shares could make you a wealthy investor in the long run.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:IMO (Imperial Oil Limited)

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