RRSP Wealth: 2 Cheap Stocks to Own for 25 Years

Description

Canadian RRSP investors are starting to line up their new investments for 2020.

The big rally in the TSX Index and U.S. stocks in 2019 is making it harder to find deals, but there are still some top stocks available that appear cheap right now.

Let's take a look at **Nutrien** (TSX:NTR)(NYSE:NTR) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) to see why they might be interesting picks.

Nutrien

Nutrien is a global crop nutrients giant, supplying potash, nitrogen, and phosphate to wholesale buyers around the world. The company also has a large retail business that provides more than half a million global farmers with seed and crop protection products.

The retail operations provide a nice balance to the commodity group, which can be impacted by adverse weather conditions. This was the case in 2019 when wet conditions in the United States and a delayed monsoon in India put a damper on fertilizer sales.

Nutrien expects 2020 to be a better year, as customers work through stockpiles. Assuming the weather reverts back to a more normal pattern, the company could see a surge in sales due to pent-up demand. At the moment, the market isn't pricing this into the stock, and Nutrien appears oversold.

The company's long-term prospects should also be robust, as more people need to be fed each year while farmland is increasingly consumed by urban sprawl.

Nutrien trades at $62 per share compared to a 2018 high of $75, so there is decent upside potential on the next upward move in the sector. In the meantime, investors can pick up a 3.8% dividend yield while they wait for better days.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is Canada's fifth-largest bank by market capitalization.

The stock often trades at a discount to its larger peers due to its smaller size and higher risk profile. CIBC has a large relative exposure to the Canadian housing sector, and that could be a problem if house prices crash.

Despite the market concerns, the stock appears undervalued. CIBC is very profitable, and its big move into the United States in recent years through more than $5 billion in acquisitions has provided more balance to the revenue stream. In the most recent earnings report the U.S. group accounted for roughly 17% of adjusted earnings.

The Canadian economy is rolling along at a steady pace, and unemployment levels remain low. These factors, combined with low interest rates and a drop in fixed-rate mortgage costs in the past year, should continue to support a strong housing market in the country.

Prices are high, but existing owners can renew loans at reasonable rates, and new buyers are still entering the market.

When the next economic downturn occurs, CIBC should be able to ride it out. The company is well capitalized and house prices would have to fall significantly before the bank sees a material impact.

CIBC's dividend should be very safe and currently provides a 5.3% yield.

The bottom line

Nutrien and CIBC appear undervalued today and should be attractive picks for a buy-and-hold RRSP portfolio.

If you are searching for cheap stocks with reliable dividends and a shot at some nice capital gains, these companies deserve to be on your radar.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:NTR (Nutrien)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:NTR (Nutrien)

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