



RRSP Investors: 2 Cheap Canadian Stocks to Own for 30 Years

Description

Canadians are searching for top stocks to add to their self-directed [RRSP](#) portfolios.

The equity markets have enjoyed nice gains in the past year, and that has reduced the number of cheap stocks that investors can pick up with an eye to strong long-term returns. Recent weakness caused by Coronavirus fears is helping make some stocks more reasonably priced while pushing down the share prices of other top stocks in the **TSX Index** that were already out of favour.

Let's take a look at two Canadian [dividend](#) stocks that might be interesting contrarian picks right now for buy-and-hold RRSP investors.

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is the planet's largest producer of potash and a major supplier of nitrogen and phosphate. These commodities are used as fertilizers to help improve crop yields. Nutrien typically sells potash on annual wholesale contracts to China, India, and other major buyers. The company also sold to growers on spot markets.

On the retail side, Nutrien provides more than 500,000 growers around the world with seed and crop protection products. The company is growing the division through acquisitions, and that trend is expected to continue amid ongoing consolidation in the sector.

Nutrien had to reduce sales and income guidance last year and temporarily shut down some production due to weak market conditions. A wet spring in the United States combined with late monsoons in India and weak palm oil prices in Indonesia hampered demand.

In addition, China suspended imports last fall, and the outbreak of the Coronavirus in that country has extended the challenges into 2020.

Rail blockades in Canada will likely impact Q1 2020 results.

Despite the tough times, Nutrien still generated US\$2.2 billion in free cash flow in 2019, representing a 9% increase over the previous year. Guidance for 2020 is adjusted net earnings per share of US\$1.90-2.60.

The current quarterly dividend of US\$0.45 per share provides an annualized yield of 4.3%.

The stock is trading at \$55 per share compared to \$75 in the summer of 2018, so there is decent upside when markets recover. In the meantime, you get paid well to wait.

CIBC

Canadian Imperial bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) recently warned it will be cutting staff in the near term, as it works to improve efficiency. A *Globe and Mail* report last week indicated the company will announce a reduction of about 2,000 jobs when it reports fiscal Q1 2020 earnings.

At the time of writing, the stock is down to \$106 per share from \$115 in November. The share price is still well above the August low around \$97, but is already starting to appear a bit oversold.

CIBC has done a good job of diversifying its revenue stream in the past two years with more than US\$5 billion spent on acquisitions in the United States. The U.S. operations contributed roughly 17% of adjusted earnings in fiscal 2019.

CIBC's exposure to the Canadian housing market is often cited as a risk. The company's mortgage portfolio is significant on a relative basis compared to its larger peers and a meltdown in house prices would be bad for the stock.

A steep increase in unemployment would be the main cause of a housing crash. For the moment, the Canadian job picture remains steady. Fears that the Coronavirus will trigger a recession are worth considering, but they are also driving down bond yields, and the government is expected to cut rates to mitigate the near-term economic impact.

Low rates make it easier for new buyers to enter the market and for existing homeowners to renew loans, so CIBC's housing portfolio could actually benefit.

The dividend should be very safe and currently offers a 5.4% yield.

The bottom line

Nutrien and CIBC appear cheap right now, and any additional downside should be viewed as an opportunity to pick up more shares for buy-and-hold RRSP portfolios.

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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