2 Stocks That Just Hung Out a Giant FOR SALE Sign

Description

The recession might finally be happening as I write this. All the talks of an economic downturn throughout a fantastic 2019 might culminate into reality. The global economic slowdown reduced manufacturing in significant markets, and geopolitical issues were all ingredients brewing for a recession.

The recent coronavirus pandemic is proving itself to be the catalyst to kick things off for a meltdown in global markets.

At writing, the **S&P/TSX Composite Index** is down by more than 8% of its peak in February 2020. While the stock market pullback might seem scary, it's also an opportunity for income investors to purchase shares of top-quality companies at a discount.

Today I'm going to discuss **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) and **The Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) to this end. These companies could be interesting picks right now to help you build a Tax-Free-Savings Account (TFSA) portfolio.

Suncor

Suncor Energy is a Warren Buffett pick from Canada's energy sector, which is trading for $35.72 per share at writing. The stock is more than 20% down from its January 2020 peak, and there are several reasons why the shares of the company are trading for a more affordable price.

The likeliest cause is falling oil prices. The market is currently paying US$46.50 for a barrel of oil – down from US$60 at the start of the year. The decline in crude oil is due to scares that China is likely to purchase fewer barrels of oil amid the disruption caused by the coronavirus epidemic in the country.

The company's offshore oil production and oil sands operations will result in lower profit margins for the company due to falling oil prices. The company can, however, fare better than its peers due to its refining operations.

Lower oil prices mean lower input costs for the refinery operations. Its retail locations of around 1,500 Petro-Canada pumps might see a more significant influx of customers due to lower gasoline rates.

Although stock is trading for a lower price due to the disruption, Suncor will eventually bounce back. The board raised dividends by 11% in 2020. The stock gives shareholders dividends at a juicy yield of 5.21% with the current price.

CIBC

The Canadian Imperial Bank of Commerce is trading at $103.75 at writing. The stock is down by more than 6% from its February 2020 peak and down by more than 10% of its 52-week high of $115.96 per share.

The stock markets dropped significantly in the past week, prompting investors to consider the severity of the coronavirus' effects on the stock market. What will happen in the coming months is anybody's guess, but the current outlook is not as bad as the financial crisis of 2008.

The Canadian economy is still robust. The expected interest rate cuts and falling bond yields are making life slightly easier for Canadians.

Lower mortgage rates can spell good news for CIBC as more people buy new houses. The company has extensive exposure to Canada's residential mortgage portfolio.

CIBC's management has spent north of US$5 billion on acquisitions in the U.S. retail banking market to balance out its revenue stream. Further expansion into the U.S. might be on the way later this year. In fiscal 2019, CIBC's U.S. operations accounted for 17% of total adjusted profits for the bank.

The board raised dividends to $1.46 per share. At the current price, CIBC offers shareholders a dividend yield of 5.63%.

Foolish takeaway

Suncor and CIBC are both top companies that pay attractive and continually growing dividends to shareholders. I think the shares of both companies seem oversold today.

Purchasing the shares from both companies now could allow you to take advantage of discounted prices, while you wait for the markets to recover.

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