A Top Stock to Buy Before It's Too Late

Description

After the recent market crash, some top dividend stocks have become very cheap. Taking advantage of more than 30% slide in stocks in a matter of just four weeks, some investors have already started to put their cash to work.

So, is this the time to buy top-quality stocks? No one knows for sure. After entering a bear market, the benchmark **S&P/TSX Composite Index** has already rebounded nearly 20% from Monday's eight-year low.

Investors are coming back on hopes that the federal stimulus package to deal with the expected recession and the central bank's move to cut interest rates drastically will be enough to put the economy back on track after the coronavirus shock.

Even if you're not so bullish in this uncertain environment, it is a good time to have a strategy in place and stick to it. Accumulating top stocks in small increments as the market attempts to find a bottom may be a good way to move forward. But be prepared for the possibility of further declines and increased volatility.

Top bank stocks

In Canada, the nation's top bank stocks should be at the top of your buying list. After the recent sell-off, their dividend yields have become attractive. But buying a stock with a high dividend yield often comes with a greater degree of risks.

The stocks that pay higher returns might be facing intense competition, their balance sheet could be loaded with debt, and their management has no idea how to produce growth that will satisfy investors.

However, you can't beat the market without taking some extra risks and invest in stocks whose values are depressed due to some short-term issues. Canadian banking stocks have offered some of the best returns to long-term investors due to the strength of their businesses, their diversified operations, and the oligopolistic nature of the Canadian market.

In general, these stocks return between 40-50% of their income in dividends. If you're interested in banking stocks, the next step is to find the best opportunity available to you after this market crash.

In this market, I particularly like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), the nation's fourth-largest lender. Its stock is down about 23% in the past month even after a strong rebound of the last three days. CIBC stock is now trading around $81.68 at writing, offering an annual yield of 7.15%.

That yield is much higher if you compare it with what you can earn on a savings account, or GICs. But there were reasons for this underperformance.

The lender's weakening earnings, its exposure to the nation's mortgage market, oil companies and the rising provisions for bad loans are some of the major factors that could keep its price depressed.

But I believe the period of sluggish growth will be short-term and the monetary and fiscal support will revive the Canadian economy quickly. Short-sellers have also targeted CIBC in the past due to its vast exposure to the Canadian mortgage market, betting that a possible collapse in the housing market will sink the lender as well. That devastating scenario hasn't played out, however, and is losing its appeal.

Bottom line

With an annual dividend yield of over 7% at the time of writing, CIBC stock has a compelling appeal for investors. Its current dividend yield is one of the best among the major banks. CIBC pays a $1.46-a-share quarterly dividend with a long history of consistent growth.

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