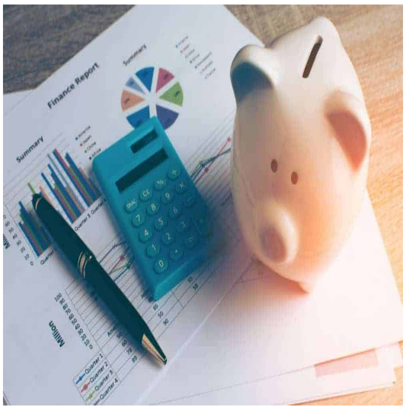

TFSA Investors: 2 TSX Stocks to Bank On

Description

Despite a small recovery last week, stocks are still far below prices seen in January and February. As such, many **TSX** stocks have been dragged down to such levels that they're now attractive buys for long-term investors.

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Tax-Free Savings Account (TFSA) investors with a long-term outlook and cash in hand can now pick up discounted shares of TSX stocks. However, it's important to weigh the risks at hand when looking to invest during a market crash.

Today, we'll take a look at two blue-chip stocks that TFSA investors should keep an eye on as long term buy-and-hold options.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is one of the major banks operating in Canada. It offers a wide array of services to both commercial and retail customers.

As of writing, CIBC is trading at $79.09 and yielding 7.39%. It's important to note that as recently as March 4, CIBC was trading at $103.75. So, it has fallen quite steeply despite a recovery in the last week.

CIBC happens to offer both the highest yield and the lowest P/E ratio compared to the other Canadian banks. You might think this TSX stock sounds like a win-win – and it could be.

However, it's vital to remember there's no free lunch in investing. There are certainly reasons why you can capture the top yield at the cheapest P/E ratio.

One that many investors will be quick to bring up is CIBC's exposure to the domestic housing market. It is considered to be heavily exposed to this market, and certainly much more than its peers.

Plus, CIBC is simply a much smaller bank (by market cap) than any of its peers, and its U.S.

operations lag the competition as well.

For some, the outsized yield and attractive P/E ratio will be enough to entice an investment. However, investors should consider the risks involved with this TSX stock relative to its peers.

BMO

Bank of Montreal (TSX:BMO)(NYSE:BMO) is another blue-chip TSX stock. Like CIBC, it's also a large Canadian bank. It offers both business and personal banking solutions to customers across the country as well as the U.S.

At the time of writing, BMO is trading at $68.07 and yielding 6.23%. Like CIBC, it's also taken a tumble from its March 4 price of $90.93.

Now, BMO trades at a slightly higher P/E ratio and with a noticeably lower yield than CIBC. However, as mentioned, CIBC is potentially overexposed to the Canadian housing market and is smaller in size.

BMO's operations are a bit more diversified, and it has been building a strong U.S. presence as well. Its cash flows aren't as vulnerable to a collapse in one or two sectors, and it has a bit more stability to its revenues.

An investment of $10,000 would generate $623 in dividends in a single year, and that's tax free for TFSA investors.

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TSX stock strategy

While all the major banks in Canada are considered blue-chip TSX stocks, there are certainly big differences between them.

Investors with more of a risk appetite might be inclined to chase CIBC's massive yield, but banks like BMO offer more stability at the cost of a smaller yield.

For long-term TFSA investors, it's about striking the right balance between long-term risk and reward. If you have extra cash in hand, consider adding these TSX stocks to your portfolio.

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