TFSA Investors: Use Your $6,000 to Buy This 1 Stock

Description

A market rally could finally be underway. Investors have flocked to almost every kind of stock out there, thinking now is the time to buy. And it's true, it is. But not for every stock. If you're looking at your Tax-Free Savings Account (TFSA) and thinking you could use that $6,000 worth of contribution room for 2020, then I have to warn: be careful.

Here are the factors we're working with. This market rally has brought stocks up, sure. But those ups have come from serious downs. Just because you missed out on a market bottom doesn't mean that these stocks deserve an investment in your TFSA. This isn't more true than with oil stocks.

Oil stocks are frankly the last thing you should be buying up right now. I say that for pure-play oil stocks, to be clear. These companies have a long way to go, and with earnings coming out it's likely the stocks could see another drop in the future. Definitely not something you want in your TFSA right now.

What you want is a stock that should see some cash coming in soon, and a rebound sooner as opposed to later. As the market rally continues, these stocks should be growing in your TFSA. These stocks should also be paying you to purchase them now, likely through dividends. That's another reason to stay away from oil stocks, as many have slashed dividends to stay afloat.

Bank on banks

Canadian banks fared among the best in the world during the last economic crisis. Since 2008, after a large dip, Canadian banks were back to business as usual within a year. That goes for all of Canada's Big Six banks. Banks offer a number of bonuses right now for your TFSA. First of all, there are the dividends. During this market crash, Canadian banks held on and didn't slash dividends. Now, with a market rally, instead of pausing dividend increases you could still see those increases as if nothing ever happened.

Beyond the dividends, there was recently great news from the federal government. All of Canada's major banks will be getting tens of millions of dollars to help the government's loan program, the

Canada Emergency Business Account (CEBA), get money to small business owners. Owners can apply for up to $40,000 interest-free from the government.

Even better, if the business owner pays off 75% by December 31, 2022, the remaining 25% will be forgiven. This is all on top of the $15.3 billion extended to businesses across the country. All of this is to say that your TFSA will be safe holding on to banks that now have government money coming in.

Which bank?

If you're going to choose any bank, I would buy up **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) right now for your TFSA. The stock is working its way back up during this market rally, but still has a potential upside of almost 50% to reach fair value. The main risk factor in the past for CIBC has been its exposure to the housing market. However, while there has been a slow down, there may not be a housing crash as originally predicted. This means CIBC and its earnings should be safe now and well into the future.

CIBC doesn't have a lot of exposure to the high risk area of oil stocks, and instead is highly invested in the Canadian economy. So as Canada's economy improves, so should this stock, and so too should your TFSA. However, the company is also trying to expand into the U.S., where the economy should bounce back even sooner. Meanwhile, you can bank on this stock continuing to pass out its super high dividend yield of 7.12% as of writing.

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