Time for RRSP Contributions: This 1 Stock Is Among the Best Long-Term Picks on the TSX Today!

Description

It's time to think about where to put that 2021 Registered Retirement Savings Plan (RRSP) contribution to work! New year, new you. If upgrading your RRSP portfolio is top of your New Year's resolution list, this article is for you.

I'm going to discuss why I believe **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) ought to be a top pick in this endeavour.

Financial stocks poised to recover in 2021

If you stayed invested in financial stocks in 2020, your portfolio probably lagged the market.

The coronavirus pandemic hit this sector hard. Concerns about loan losses stemming from the pandemic and rock-bottom interest rates seriously impacted the outlook for banks. CIBC was not excluded from this pessimism.

That said, 2021 is shaping up to be a recovery year for CIBC and its peers. I think CIBC is one of the most interesting turnaround plays in this regard due to the company's strong financial results and fundamentals to date. The company's capital ratios remain robust. This provides investors with a margin of error when thinking about potential downside volatility. Furthermore, growth in CIBC's wealth management division has assuaged concerns about too much in the way of exposure to the Canadian housing sector.

Headwinds still exist, so being patient is important

CIBC does have the most exposure to Canadian mortgages out of its peers. This fact creates some headwinds for those who believe housing may struggle for some time. That said, the current lower-for-much-longer interest rate environment helps CIBC in this regard substantially. The pervasive view of CIBC as a play on Canadian housing could therefore turn out to be bullish for the bank, should housing outperform in the years to come due to an accommodative lending environment.

CIBC is a stock long-term investors have done well to hold and add on weakness in recent decades. This bank provides solid mid- to high single-digit returns over the long run. A significant portion of this return comes from the company's 5.4% dividend yield. Picking up shares on weakness and locking in a higher yield has turned out to be a winning strategy, given the history CIBC has had in paying out consistent dividends for more than a century.

Bottom line

CIBC is a stock that is well positioned to recover nicely in 2021. Investors looking for a safe rebound play ought to consider this stock at these levels.

The bank has probably over-provisioned for loan losses, so those excess reserves could transfer to earnings and dividend growth in the near term. Should CIBC be allowed to raise its dividend, a hike from the current level would warrant stock price appreciation to keep the company's valuation in line with its peers. Accordingly, the stock looks very cheap at these levels.

Growth from the company's international operations, particularly in the U.S., is also bullish for long-term investors. CIBC's international division is now contributing to the banks' bottom line. Despite this, CIBC's valuation remains lagging its peer group.

There are so many reasons deep-value investors and those seeking income should consider CIBC today. In my opinion, this is one of the best RRSP additions for long-term investors today.

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chrismacdonald