Better Safeguard in the Pandemic: CIBC (TSX:CM) or Sun Life (TSX:SLF)?

Description

Canada's Big Banks will not weaken under any economic environment, including the pandemic-induced market crash. It didn't surprise me they all displayed strength in 2020 and until today. According to James Black of Beutel Goodman Investment Counsel, insurance companies were also resilient throughout the crisis.

However, uncertainties remain. If you want to safeguard your money against any eventuality, rebalance your portfolio. Your safety net could be a bank stock or an insurance stock. Apart from capital protection, you have rock-steady income streams and potential capital gains.

Top bank stock

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) became the hottest bank stock after Q2 fiscal 2021 (quarter ended April 30, 2021). The country's fifth-largest lender reported a 321% increase in net income versus Q2 fiscal 2021.

Market observers are astonished by the unprecedented levels of excess capital. Investors should welcome this development because the Big Banks could channel some funds to dividend payments. The stumbling block is the restriction on dividend increases and share buybacks imposed by the Office of the Superintendent of Financial Institutions in March 2020.

Still, without or without the dividend increase, for now, the $66.43 billion bank pays a decent 3.92% dividend and maintains a payout ratio of less than 50%. Similarly, the current share price of $147.91 is nearly 60% higher than a year ago. Year to date, investors enjoy a 39.02% gain.

The most notable result in Q2 fiscal 2021 was the 1,340% increase in net income delivered by CIBC's U.S. Commercial Banking and Wealth Management unit. Its Canadian Personal & Business Banking (+270%) and Capital Markets (+180%) came in second and third. Given the robust financial results and improving economic environment, CIBC is the top draw in **TSX'**s banking sector.

Evolution continues

Sun Life Financial (TSX:SLF)(NYSE:SLF) was founded in 1865 or two years ahead of CIBC. Today, the $38.99 billion company is the third-largest insurer in Canada. In the stock market, this insurance stock outperforms top-ranked Manulife (+19.23% versus +13.77%) year to date. At $66.33 per share, the dividend yield is 3.30%.

New President and CEO Kevin Strain couldn't help but marvel at the Q2 2021 results and year-to-date performance. Net income rose 73.4% to $900 million versus Q2 2020. In the first half of 2021, the growth was 101.87% compared to the same period last year.

According to Strain, there was strong momentum in all four growth pillars: insurance, wealth management, value of new business (VNB), and assets under management (AUM).

Management's goal is to make Sun Life the leader in every market it serves. Although the U.S. and Asian markets clocked in 33% and 13% revenue growth year over year, Canada remains the biggest market. Also, in the U.S., Sun Life is the leader in group benefits.

Sun Life's ongoing concern is digital enterprise, which management believes is the next step of evolution. The company aims to bring business and information technology closer than ever before. In Q2 2021, Sun Life processed 96% and 91% of group benefits health & dental claims and retail wealth transactions digitally.

A toss-up

The showing of CIBC and Sun Life in 2021 is short of spectacular. Both are excellent investments if you have long-term financial goals. If choosing between the two is a challenge, invest in both for good measure.

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2. TSX:CM (Canadian Imperial Bank of Commerce)
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