RRSP Alert: 2 Top TSX Stocks to Buy on a Pullback

Description

The recent weakness in the **TSX Index** is giving RRSP investors a chance to buy top stocks at undervalued prices.

CIBC

CIBC (TSX:CM)(NYSE:CM) trades near $141 per share at the time of writing compared to a 2022 high of $167.50. The stock is now below 9.8 times trailing 12-month earnings. That's starting to look cheap for RRSP investors who can pick up a 4.5% dividend yield and simply watch the dividend increases continue to roll in over the coming years.

CIBC has done a good job of making strategic investments in the United States to diversify its revenue stream. With a healthy cushion of excess cash, CIBC has the capital to make additional purchases south of the border to boost its U.S. presence, especially in the wealth management segment.

CIBC isn't without risks. The bank has significant exposure to the Canadian residential real estate market. If mortgage rates move too high and stay elevated for too long, there is a risk that a wave of defaults could trigger a market selloff. In this scenario, CIBC would likely take a larger hit than its peers.

That being said, a housing meltdown is not expected, and prices would have to fall considerably before the impact on CIBC would be meaningful. CIBC has adequate capital to ride out a downturn.

At the current share price, the stock appears undervalued.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) trades near $64.50 compared to the 2022 high around $79. The asset management giant has a market capitalization of $100 billion and US$690 billion in assets under management. The firm invests funds on behalf of clients and charges a fee for the service. Brookfield also invests its own cash alongside the customer funds in most purchases.

This is a good stock to buy for people who want to get exposure to infrastructure, renewable energy, real estate, private equity, and credit investments around the globe that would otherwise be out of reach. Brookfield Asset Management has operations in more than 30 countries.

Net income came in at US$12.4 billion 2021. Capital inflows hit US$71 billion during the year. Fee-bearing capital increased by US$53 billion to US$364 billion, resulting in a 33% jump in fee-related earnings. Brookfield Management finished the year with US$40 billion of committed but uninvested capital that will eventually earn about US$400 million in annual fees once deployed.

Brookfield Asset Management also knows when to exit investments. The company sold US$42 billion in assets during the year to book US$16 billion in gross gains, of which US$12 billion was for clients and US$4 billion was for the company.

As of December 31, 2021, Brookfield Asset Management had US$92 billion in capital available for new investments.

The stock can go through some volatile moves, but the long-term trend has been positive for investors.

The bottom line on top RRSP stocks

CIBC and Brookfield Asset Management look undervalued right now and should deliver solid total returns for RRSP investors over the long haul. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar.

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