2 Great Canadian Stocks to Buy Now and Hold Forever

Description

When uncertainty stalks the markets, only the strongest stocks will do. That's why we've picked out two of the sturdiest names currently trading on the TSX. The following top stock picks are based on three main criteria. In order to make the cut, these two companies had to be well established, profitable, and undervalued. With over $1 billion in market capitalization apiece, both names are reasonably priced based on cash flows.

The solid gold stock choice

Barrick Gold (TSX:ABX)(NYSE:GOLD) is something of a one-stop stock for access to the yellow metal. Warren Buffett might have flip-flopped, but the buy thesis remains strong. As an explorer, developer, producer, and retailer, Barrick is involved at every step of the gold mining process. It also brings exposure to copper. This little-known fact makes Barrick a de facto low-exposure play for a range of growth industries.

To the classic low-risk play of a precious metals stock, investors can therefore add strategic capital gains potential. From renewables upside to electric vehicles access, copper exposure brings growth potential to a commodities portfolio. Such benefits also come at a fairly competitive price. Selling for $30 a share, though, Barrick has lost 20% since the end of summer. In short, this stock is a steal right now.

The Big Five banking stock

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) clocks in at the shallower end of the Big Five in terms of market cap. CIBC is nevertheless a world-leading, diversified, blue-chip financial, bringing access to a range of services and products. As such, it adds strategic benefits to the financials segment of a TSX stock portfolio. These include exposure to both institutional and public sector banking. And, of course, CIBC also counts commercial and business customers as clients.

Year on year, CIBC has seen only moderate share price growth. However, while value could also be slightly better, this is a very healthy stock with a low debt-to-equity ratio. A 5.2% dividend yield is still one of the richest among Bay Street financials. A payout ratio of 72% further assures shareholders that its distribution is secure. This coverage also offers long-term investors some potential for dividend growth.

A P/B ratio of 1.3 times book is fairly standard for a top Canadian bank. These names are slightly expensive, in large part because they are such high quality. Predictability is a commodity in itself in these uncertain times, though. Indeed, with a 36-month beta of 0.9, CIBC displays volatility somewhat lower than that of the market. This should be of note to investors with a low threshold for risk in their dividend stock portfolios.

In summary, Warren Buffett may have done gold investors a favour by making a U-turn on Barrick. Indeed, a general pullback in gold will only offer greater value opportunities in this must-have commodity. A 1.5% Barrick dividend yield remains rich. And the safe-haven status of gold is, as always, unassailable. Throw in the safety of a Big Five banker, and a Barrick-CIBC stock pairing could add years of passive income plus stability to a low-risk TSX stock portfolio.

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TICKERS GLOBAL

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2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:ABX (Barrick Mining)
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