



Why Canadian Western Bank Could Be the Big Winner in 2017

Description

There are many gifts under the tree I look forward to opening. Some are wrapped with very colourful paper, while others are in a fancy paper bag with fluffy paper. As a child, I always looked at the biggest box and thought it had to be the best.

On one occasion, my uncle came in to the house on Christmas day with a giant box. I thought this was going to be the best gift ever, no matter who it was for. To my dismay, I later found out the box was full of drop cloths for my dad. Apparently, we were going to be painting the house. Understandably, I was more than a little disappointed, and my dad was no happier.

As an investor, I've realized that bigger is not always better.

Early in 2016, it seemed a lot of coal had been left in my stocking after the holidays. Canadian bank stocks were not doing very well, reaching the lows of the year, but they did offer attractive yields. Shares of **Canadian Western Bank** ([TSX:CWB](#)) were no different.

Reaching a 52-week low of \$19.26, the company offered new investors a yield of approximately 4.75%, conditional on their courage to purchase and hold the shares of a financial institution which focused on serving western Canada.

Let's not forget the reliance of the western economy on the production of oil, which could have led to a very different ending had the price of oil not recovered. At the time, the risk was very serious, and the potential for reward may not have been evident for many investors.

Shares of Canadian Western Bank have increased approximately 60% from their lows. Since the beginning of the year, the only major Canadian bank to perform better than Canadian Western Bank has been **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), which has increased almost 37%. From the beginning of the year, Canadian Western Bank has increased almost 33%. Both are excellent returns.

Looking at other competitors, shares of **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) have increased approximately 22%; for **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), the gain is close to 21%; the gain was almost 23% for **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). Lastly, shares of **Canadian Imperial Bank of Commerce**

([TSX:CM](#))([NYSE:CM](#)) are up 22%.

When looking at the two best performers in comparison to the others, it's important to look at who the core customer really is and where the best returns are coming from. Canadian Western Bank is focused on serving western Canada, whereas Bank of Nova Scotia does a significant amount of business in South America, which has not performed very well in the past few years. Clearly, shares were due for a turnaround.

What really happened?

Just like the biggest box under the tree, everyone saw the dominant player and ignored the hidden gems. Only once the wrapping paper comes off do we really see what's in the box.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TD (The Toronto-Dominion Bank)
6. TSX:BMO (Bank Of Montreal)
7. TSX:BNS (Bank Of Nova Scotia)
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