



## Is Canadian Imperial Bank of Commerce the Riskiest Big Five Bank?

### Description

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is often favoured by value investors, who want to get the cheapest bank, or by income investors, who want to get the highest yield of the batch. There's no question that the bank stocks had a huge run last year, and it's getting tough to spot value in the current environment.

Are the Big Five bank stocks expensive? They're definitely not cheap, that's for sure. But I don't think they're absurdly expensive either. They're fully valued at most, but I still think it's a great idea to give the Big Five banks a look at current levels.

Canadian Imperial Bank of Commerce is a lot cheaper than its Big Five peers, but it's always been cheaper, and it's cheaper for a good reason. The bank has an inferior risk-management strategy than its peers, and this could put investors in a heap of trouble if certain economic events occur over the next few years.

The bank isn't as well diversified as its peers. It's overexposed to the domestic market, and it's got a large number of mortgage loans in the Vancouver and Toronto housing markets, both of which are in bubble territory and could correct in the near future. I'm not a fan of the Canadian housing market, and if the bubble pops, shares of Canadian Imperial Bank of Commerce will get hit the hardest of the Big Five bank stocks.

The bank also isn't having any luck expanding beyond Canadian borders.

Many of Big Five banks are exposed to markets other than Canada, but Canadian Imperial Bank of Commerce is too dependent on the Canadian economy, which is less stable than the U.S. economy. Going forward, the banks with the most exposure to the U.S. will be the biggest long-term winners thanks to the Trump Administration's pro-business policies. It's a game of catch up for Canadian Imperial Bank of Commerce right now, and if the bank can't work out a deal to acquire **Private Bancorp Inc.**, then it may get left behind, while its Big Five peers soar to new heights.

Sure, the bank has been the biggest winner in terms of recent earnings, but this is likely to change, as the Canadian economy is nowhere near as stable as that of the U.S. Many investors have been piling

in to the stock because of the outstanding results it reported lately, but I can tell you that these results won't last forever, since the Canadian economy could begin to underperform again. Also, the U.S. economy is about to take off, and Canadian Imperial Bank of Commerce won't get to profit from this as much as its peers will thanks to its lack of U.S. exposure.

The stock currently pays a fat 4.24% dividend yield and trades at a 10.18 price-to-earnings multiple. It looks cheap, but I believe it's not cheap enough given the number of risks. I would have another look if the stock were trading in the \$100 range, but at \$120, I don't think it's a great value play.

The bank will be playing the game of catch-up over next few years, so I would consider another Canadian bank at these levels.

## CATEGORY

1. Bank Stocks
2. Investing

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
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