



Dividend Investors: Should Canadian Imperial Bank of Commerce or BCE Inc. Be in Your Portfolio?

Description

Investors who are searching for above-average yields have some big names to choose from these days.

Let's take a look at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) to see if one deserves to be on your buy list.

CIBC

CIBC is now trading for less than nine times trailing 12-month earnings, which is a low multiple when compared to its peers. In fact, the other members of the Big Five club are trading at price-to-earnings multiples of 11-13 times.

What's going on?

Investors are concerned CIBC's heavy exposure to the Canadian market could result in some oversized pain if house prices tank in the coming years.

CIBC finished fiscal Q2 2017 with \$190 billion in Canadian residential mortgages and an additional \$21 billion in home equity lines of credit. On the uninsured portion of the portfolio, CIBC says the average loan-to-value ratio is 55%.

This means home prices would have to slide dramatically before CIBC takes a material hit.

A steep housing crash in a short period of time would certainly have a negative impact, but most analysts predict a gradual deflation of the bubble in the hottest markets.

Addressing the reliance on Canada has been a focus for the company in the past year, and management finally succeeded in its effort to secure the purchase of Chicago-based PrivateBancorp.

The acquisition will diversify CIBC's revenue stream and provide a solid platform to pursue further

growth in the United States.

The company raised its dividend earlier this year and now pays a quarterly distribution of \$1.27 per share. That's good for a yield of 4.8%.

BCE

BCE recently closed its purchase of Manitoba Telecom Services in a deal that bumps it to the top spot in the Manitoba market.

Over the past decade, the company has also acquired several media businesses, including a television network, specialty channels, sports teams, radio stations, and an advertising company.

In addition, BCE has interests in retail stores across the country.

These assets, combined with the world-class mobile and wireline network infrastructure, create a powerful company that pulls revenue all along the Canadian communications value chain.

BCE has a long track record of dividend growth. The current distribution provides a yield of 4.7%.

Is one more attractive?

Both stock offer similar yields that should be safe, so investors have to decide where they think they will get the best bang for their buck in the coming years.

If you are worried the housing market is going to crash, it would be better to go with BCE today.

Investors who believe the real estate fears are overblown might want to make a more contrarian bet and go with CIBC.

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