



Should You Buy Canadian Imperial Bank of Commerce or Bank of Nova Scotia?

Description

Canadian bank stocks chalked up some impressive gains last year, but the sector is working through a bit of a rough patch right now.

Let's take a look at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) to see if the pullbacks offer a good opportunity to buy.

CIBC

CIBC took a big hit when the U.S. subprime market imploded and triggered the Great Recession.

In the wake of the meltdown, management decided to focus on the Canadian market, and that decision has led to some impressive results over the past six years.

With Canadian house prices in potential bubble territory, and consumers pretty much tapped out on personal debt, CIBC's reliance on Canada is starting to worry some investors.

Management is already addressing the issue.

In order to diversify the revenue stream, CIBC has secured a deal to buy Chicago-based PrivateBancorp. The acquisition is costing CIBC significantly more than it bargained for last June, but the deal should be beneficial over the long haul.

CIBC currently trades at less than nine times trailing earnings, which is significantly lower than the multiples people are paying for its peers.

The stock offers a quarterly dividend of \$1.27 per share. That's good for a yield of 4.8%.

Bank of Nova Scotia

As Canada's most international bank, Bank of Nova Scotia sits on the other end of the diversification spectrum.

The company still relies on the Canadian market to generate the majority of its earning, but Bank of Nova Scotia also has extensive operations outside the country with a specific focus Mexico, Peru, Colombia, and Chile.

These four countries form the core of the Pacific Alliance trade bloc set up to enable the free movement of capital and goods among member states. Combined, the group offers a consumer base of about 200 million people.

Bank of Nova Scotia reported net income of about \$2 billion for fiscal Q2 2017. International banking generated about \$600 million of that amount.

Bank of Nova Scotia pays a quarterly dividend of \$0.76 per share. That's good for a yield of 4%.

The stock currently trades at 13 times earnings.

Is one a better bet?

Choosing one of these banks over the other depends on your reason for buying.

Dividend investors should be comfortable holding both stocks, as the distributions are likely safe even if the Canadian economy hits a rough patch.

Value investors might want to make CIBC the first choice today. The company carries more Canada-related risk, but the stock is trading at such a discount to its peers that most of the potentially bad news might already be priced in to the name.

For those who think the best long-term investing opportunities are in emerging markets, Bank of Nova Scotia is a great way to get some exposure while owning a solid Canadian company.

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