



Why Now May Be the Time to Buy Canadian Imperial Bank of Commerce

Description

Investors looking for ways to trade recent news of an impending rate hike from the Bank of Canada should consider one of the more beaten-up, larger Canadian banks, **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), as a way to go long on a higher interest rate environment.

Bank of Canada governor Stephen Poloz made some very bullish remarks with respect to interest rate increases on Tuesday, indicating he believes that the recent interest rate cuts have done their job for the Canadian economy, and it may be prudent timing for a rate increase in the near term.

Analysts have been saying for some time now that the Bank of Canada will likely be forced to raise rates, even if it doesn't necessarily want to, due to the fact that the Canadian economy is growing on pace with other large, developed economies globally and may overheat should the Bank of Canada allow cheap money to continue to circulate to stimulate an economy that may otherwise grow organically.

While investors' concerns about rising interest rates affecting the broader stock market are valid in that rising rates are generally not a good thing for most equity securities, certain sectors benefit from rising interest rates and a strengthening economy, such as banks.

CIBC happens to be one of my top picks right now with the other being **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). However, at current levels, CIBC remains the best value play in the Canadian banking sector for investors looking to take advantage of a friendlier economic environment.

In terms of all major fundamental valuation metrics, CIBC has one of the lowest valuations of its peers. I have written in the [past](#) about reasons for why this is, including a lack of significant exposure to markets outside Canada and excess exposure to Canadian industries, such as housing, which many experts believe are overheated. Given the current potential policy stance change from the Bank of Canada, I believe that, at least in the short term, CIBC has the best chance of coming out ahead of the pack as one of the bigger winners for 2017.

Long-term risks remain with CIBC, and while I am doubtful of the ability of the Big Five lenders to maintain long-term outperformance, I believe CIBC may be a nice add to a portfolio lacking exposure

to financials for the remainder of 2017 and potentially beyond.

Looking at the medium to long-term picture, it remains to be seen how many additional rate hikes are likely to take place over the next few years (assuming the Bank of Canada indeed hikes rates in two weeks). It appears that a higher interest rate environment, at least higher than these rock-bottom levels, is more likely than not.

Stay Foolish, my friends.

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:TD (The Toronto-Dominion Bank)

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