



## Canada's Big Banks: Bet on the Best Horse for 2018

### Description

Over the past few weeks, Canada's big banks reported earnings, which reaffirmed that the Canadian economy is still very strong. Following earnings, investors saw the tales of two banks unfold a little differently. Shares of **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) increased along the way, as shareholders were offered more clarity regarding the acquisitions recently completed by the company. Shares of **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) fell on earnings.

In several [previous articles](#), Canadian Imperial Bank of Commerce was clearly put on a pedestal as the least expensive bank with the highest dividend yield, as the company's operations remained largely in Canada with only a recent acquisition in the United States. The good news for the company is both an increase in total profits and an increase in the amount of earnings per diluted share from \$2.60 to \$2.81 in spite of the total number of shares outstanding having increased by close to 10% to 440 million over the past year. Clearly, investors have a lot to look forward to, as the company continues to [increase profits](#) on a per-share basis and increase the dividend offered to investors.

Shares of Toronto-Dominion Bank did not perform as well. The company, which has a huge footprint south of the border, reported quarterly earnings of \$1.42 per share (up from \$1.20 for the same quarter one year ago) and saw shares decline from approximately \$75 to a price closer to \$73.50. Essentially, investors no longer feel justified paying a multiple of more than 13 times earnings, as growth is starting to slow. Although top-line revenues increased from one year ago, the quarter-over-quarter change from Q3 2017 to Q4 2017 was actually a slight decline.

### Which is the best investment for 2018?

Investors seeking the best investment for the next year and beyond may want to look at the histories of the banks and decide what kind of investment they are looking for. In the case of Toronto-Dominion Bank, the company offers a dividend yield close to 3.25%, as aspirations of growth slow. Investors get one of the safest and most diversified yields available in the sector, but they may not get much more.

In the case of Canadian Imperial Bank of Commerce, the dividend yield remains above 4.25% as earnings continue to increase. In the hopes that the company will continue to grow both the top and

bottom lines, investors should expect to see further dividend increases and a continuation of the company's share-buyback commitment over the past several years.

Although the risk/reward profile of the company is further out on the risk spectrum than Toronto-Dominion Bank, investors need not lose too much sleep over investing in the more aggressive of the two companies. As Canadian financials have traditionally been the category offering the highest amount of reward given the amount of risk, investors who would otherwise be more conservative may want to take on a little more risk with shares of Canadian Imperial Bank of Commerce.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

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