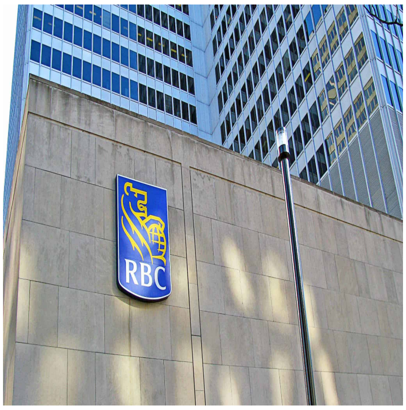

Which Canadian Bank Looks Best Heading Into 2018?

Description

For most investors, the start of the calendar year marks a good time to revisit one's portfolio, looking at which investments made them money over the past year and which ones didn't fare so well.

Winning investments can be added to or, alternatively, "trimmed" — a term used to describe the selling of "winners" to lock in gains and limit further risks — while the remaining investments can be sold if the outlook for those companies isn't as positive heading into the next fiscal period.

The Canadian banks make up a sizeable chunk of many Canadian's portfolios with "Big Five" banks in particular accounting for a disproportionate share of the Toronto Stock Exchange's market capitalization.

And if the Bank of Canada decides to continue with its currently "hawkish" path towards higher interest rates, allocating a portion of your portfolio to those involved in lending activity could prove particularly lucrative.

Let's take a look at a select few of the Canadian lenders to see how their outlook shapes up for 2018:

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

Of all the Canadian banks, big and small, TD has the most exposure south of the border.

With the latest tax overhaul, this should (in theory, at least) bode well for TD. Its U.S. operations will face a lower corporate tax rate, but perhaps more than that, TD should stand to benefit from increased consumer spending — and borrowing — on the back of tax breaks handed out to individual tax payers.

Royal Bank of Canada (TSX:RY)(NYSE:RY)

If TD is known as the Canadian bank with the "American leaning," Royal Bank is known for its focus on wealth management products.

With stock markets at record-topping levels, it's a good time to be a Royal Bank shareholder, but if you haven't already bought shares in Royal Bank, the opportunity may have already passed.

Royal Bank shares are currently trading at a premium to their historical price-to-earnings and price-to-sales averages, and the price you'll have to pay of the company's 3.56% yield is richer than what you'd probably like.

It looks like the market has already anticipated what should be a strong period for Canada's biggest lender.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

Dividend investors and retirees — pay attention!

CIBC today offers by far the most attractive dividend investment of any of the Canadian banks, including smaller upstarts like **Canadian Western Bank** and even **Laurentian Bank of Canada**.

CIBC offers the highest yield at 4.27% which is considerably higher than the next closest peer, which happens to be **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) at 3.7%, and with strong returns on equity of 18% and a relatively conservative payout ratio of 45%, for the time being, at least, it looks like CIBC should be able to maintain and increase its payout.

Bottom line

None of the three banks are particularly bad investments, and TD may very well benefit from stimulus spending south of the border.

But dividends like the one on offer from CIBC today are difficult to come by, making it my top pick among the Canadian banks for 2018.

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