



Income Investors: Time to Add This Dividend Gem to Your Piggy Bank?

Description

With outsized expectations heading into **Canadian Imperial Bank of Commerce's** ([TSX:CM](#))([NYSE:CM](#)) recent earnings release, the fact that CIBC was able to not only meet, but beat expectations (by a wide margin) to kick off the earnings season for Canada's largest banks has certainly put some investors in a much better mood of late.

That being said, the stock price of the Canadian Big Five bank has given up most of its gains since the earnings announcement. CIBC is trading at ~\$115 per share, making this stock an interesting pick for value investors looking for a decent yield and robust capital appreciation potential, considering that investors can still pick up shares of CIBC at a 7% discount to its 52-week high. CIBC also has the most attractive yield among its counterparts, sporting a juicy 4.4% dividend yield, which has been bolstered by the bank's [announced dividend increase](#) of \$0.03 per year during the recent earnings release.

Among the [earnings results](#), which were well covered by fellow Fool contributor Joseph Solitro, CIBC's adjusted net income increase of 10% year over year is a good sign that the company's expansion efforts are beginning to pay off. While considered to be somewhat late to the party in terms of expanding into global markets (in particular the U.S. market), CIBC's \$5 billion acquisition of PrivateBancorp in 2017 appears to be integrating smoothly into the lender's overall portfolio of businesses. The \$88 million write-down that CIBC was forced to take on its tax-deferred assets south of the border was one of the key line items from this recent earnings report — an amount which was not included in the company's overall adjusted net income and adjusted earnings per share numbers.

That being said, the fact that CIBC remains the Canadian bank that is most closely tethered to the Canadian economy has resulted in many investors choosing to place their long-term investments in other banks such as **Toronto-Dominion Bank** or **Bank of Nova Scotia**, which have much stronger positions in the U.S. market and Latin America. With the Canadian economy outperforming its G7 counterparts in 2017, economists have generally downgraded Canada's outlook for the coming years due in part to unstable commodity prices and high debt levels across the board.

Bottom line

CIBC definitely turned heads with its recent earnings performance; however, it is clear that large issues are providing an overhang for investors looking to capitalize on performance alone. Growth expectations for CIBC appear to be muted when compared to its peers; taking into consideration most fundamental valuation metrics, CIBC provides the best value among its peers at this point in time. Like the rest of the market, I remain mixed on my outlook for CIBC given the lender's unique risk profile and high correlation to the Canadian market. However, at its current valuation, it is hard to argue against buying shares at this level.

Stay Foolish, my friends.

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