



This Bank Is Canada's Best

Description

Canada's big five banks have performed year in, year out. They're consistent performers, and investors [can't go wrong](#) with long-term investments in any of the Big Five. However, each one has their own trading peaks and valleys and for investors; the key is to invest in the best valued bank at any given time. Today, that bank is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)).

U.S. expansion spurs growth

One of the knocks against the company has been its lack of diversification. CIBC has historically been mostly a pure play on the domestic market. However, the company expects to eventually earn about a quarter of its profits south of the border. A major step toward this goal was its acquisition of PrivateBankcorp. The \$5 billion deal, which closed last June, marked CIBC's second foray south of the border. With the acquisition, the company is expected to earn approximately 10% of its profits from U.S. operations.

The potential of the U.S. market has been touted by analysts' as a key catalyst for Canadian banks. Despite the current economic uncertainty, the U.S. economy is growing and interest rates are rising. Similarly, Trump's policies are largely considered to be a positive for the banking sector. CIBC can now be added to the list of banks expected to benefit.

Undervalued and solid performance

There's no question that CIBC is currently the cheapest of the Big Five. CIBC's current price-to-earnings (P/E) ratio of 10.3 is significantly below its industry peers and its historical P/E ratio. At a forward P/E of 9.09, CIBC is a value stock.

CIBC is also one of the best-performing banks. Its return on equity (ROE) leads the group, while its profit margin is second only to **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)). Likewise, in 2017, it grew its revenues by approximately 25%, significantly outpacing its peers. CIBC's provision for credit losses (PCL) have been trending downward, reflecting a high-quality loan portfolio. In the first quarter of 2018, PCL increased to \$153 million from \$212 million last year.

Best bank for income

At 4.75%, it has the highest starting dividend yield, and its payout ratio is the lowest among the Big Five. Barring significant share price weakness, it is highly unlikely that any of its peers will offer investors greater income. CIBC typically raises its dividend twice a year and its most recent increase came this past February. It has plenty of room for continued dividend growth and is the best bank for [yield-seeking investors](#).

CIBC is a triple threat

There are not many investments that provide investors with a little something of everything, but CIBC is a true triple threat. It offers investors growth, income, and a value play. Don't miss out: add CIBC to your portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

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Author

mlitalien

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