



How Will Data Breach News Affect Canadian Bank Stocks?

Description

With the TSX dominated by banking and financials, the recent news that two of Canada's biggest banks may have been hit by hackers is more than a little worrying. On Monday, **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) both released statements announcing a possible hacking attack that stole tens of thousands of their customers' data.

Will this news affect share prices? How about if the data breach is confirmed? And if shares in the affected banks take a tumble, will it impact the TSX? Let's take a look at the likely outcomes.

An attack on data security is an attack on the TSX

Reuters noted that BMO was down 0.5% and CIBC down by 0.2% immediately following the joint statements. At the time of writing, BMO is down 0.85%, and CIBC is down 0.87%. It's therefore fair to say that the share price is being affected by the news. The good news is that this represents a value opportunity for shrewd investors looking to snap up stock in [key Canadian financials](#).

The bad news is that the timing isn't great for the TSX as a whole. Look at any weighting of the TSX and you'll see that it's led by two famously defensive sectors: banking and mining. Now look at the recent news that oil prices are down, thanks to OPEC/Russia's market manipulation, and you'll probably conclude that an attack on the banking sector is pretty bad timing.

Will there be any long-term effects for the TSX?

A recent data analysis by Paul Bischoff published on the Comparitech website looked at data breaches incurred by 24 companies on the NYSE. It concluded that victims felt an average drop of 0.43% right after a breach, with companies going on to underperform for around 38 days. After that, share prices climb, but at a slower rate than before the breach.

The nature of the breach also affects the impact. In the case at hand, recovery will depend on whether BMO and/or CIBC confirm the breach and on what kind of data was stolen, such as email addresses or card details. Financial institutions tend to have steeper drops after a data breach, and their share

prices take longer to normalize.

In terms of impact on the TSX, the current statements from BMO and CIBC are unlikely to have a large impact. However, this may change if and when the banks confirm details of the possible breach. If they report that it did in fact occur, and if account details of customers were stolen, then you can expect to see another dip in share prices. Again, not so great news if you're one of their customers, but an opportunity will exist for discounted stock.

Any further news of the possible data breach is likely to be mitigated by the fact that no other banks have been affected. In the case of CIBC, only its subsidiary, Simplii Financial, was targeted, so the impact on CIBC's share price may not be as steep as that of BMO. While any potential future attacks may have more of an effect on the TSX, the only lasting damage to the currently affected institutions might be customer churn.

The bottom line

It's good to be philosophical when one of the biggest sectors on the stock exchange faces potential volatility. When *two* of them are facing volatility (such as OPEC/Russia's manipulation of oil prices), the same is doubly true. To paraphrase Rudyard Kipling, now is the time to keep your head when all about you are losing theirs.

The takeaway? Look to the horizon and [hold onto your stock in financials](#). The accepted wisdom is that data breaches don't affect share prices for long. If anything, for big, defensive companies, data breaches may actually offer a brief value opportunity. So if you were thinking of investing in BMO and/or CIBC, go for it – neither bank is going anywhere any time soon.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks

3. Investing

Date

2025/08/24

Date Created

2018/05/30

Author

vhetherington

default watermark

default watermark