



Should You Buy Canadian Imperial Bank of Commerce (TSX:CM) or Imperial Oil Ltd. (TSX:IMO)?

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) and **Imperial Oil Ltd.** ([TSX:IMO](#))([NYSE:IMO](#)) have both been around for a very long time.

Let's take a look at the two companies to see if one is an attractive pick for your [portfolio](#) today.

CIBC

CIBC is the product of the combination of two banks that first opened more than 150 years ago in Toronto. The Canadian Bank of Commerce was established in 1867. The Imperial Bank of Canada was established in 1875. The two merged in 1961 to form the company now commonly known as CIBC.

CIBC is the smallest of the Big Five Canadian banks, and investors often overlook the stock when choosing a financial pick for their portfolios.

Size is part of the reason, but risk aversion also has a role to play, although the bank is arguably a safer bet than it has been in the past. CIBC booked billions in writedowns during the Great Recession due to bad subprime loan bets. In the wake of the crisis, the company focused most of its efforts on Canadian retail customers, which has proven to be a very profitable decision, but now the market fears CIBC is too reliant on Canada in the face of a potential housing bubble.

Management is working hard to diversify the revenue stream, as we saw with the US\$5 billion acquisition of Chicago-based PrivateBancorp last year. The move bolstered CIBC's U.S. presence and provides a solid platform to expand in the segment.

CIBC currently trades at 10.6 times trailing earnings, making it quite a bit cheaper than its larger peers. The company is very profitable and pays a rock solid dividend with a [yield](#) of 4.5%.

As interest rates rise, net interest margins should increase to offset a possible slowdown in mortgage lending. In the event house prices crash, CIBC would take a hit, but the company is well capitalized and capable of riding out a downturn.

Imperial Oil

A group of 16 oil refiners in London, Ontario got together in 1880 to create The Imperial Oil Company. In 1898, the company needed funding for an expansion and sold a majority interest to the Standard Oil group in the United States, which would eventually become part of **ExxonMobil**.

Imperial took over all of Standard Oil's Canadian assets and set up its head office in Sarnia, Ontario. The company later moved HQ to Toronto and then to Calgary, where Imperial, as it is now called after a re-branding, is currently based.

In 1947, Imperial discovered oil at Leduc, Alberta, setting off Western Canada's oil boom. In 1964, the company began the first program to extract bitumen from the oil sands. Today, Imperial owns a majority share in the Kearl oil sands facility, which has the capacity to produce 200,000 barrels per day.

The refining and production operations, along with 2,000 Esso and Mobil retail locations, form a company with assets all along the value chain.

Imperial's stock is up from \$34 in late March to the current price of close to \$43, but it is still off the 2014 highs above \$55. The company recently raised the dividend by 20%, so management must be comfortable with the cash flow outlook.

Is one more attractive?

Both stocks look attractively priced right now. If you have some cash on the sidelines, I would probably spit a new investment between the two companies.

Not into banks or oil companies? Other opportunities are available today.

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2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:IMO (Imperial Oil Limited)

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