
# Is the Worst Over for Canadian Imperial Bank of Commerce (TSX:CM) Stock?

## Description

Shorting the shares of **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) has been a popular trade for some short-sellers. They were hoping for a collapse of the nation's once red-hot real-estate market in which the lender has a lot of stake. But after more than year of wild speculation, it seems that that trade is losing its appeal.

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During the past two months, Canada's housing market has showed signs of stabilization after the government intervention to cool the market forced buyers out of the market, taking sales down by more than 30% this spring in the detached home category.

In a sharp reversal, home sales in July rose 19%, the Toronto Real Estate Board reported last Friday, making the month the strongest this year for resales. At the same time, average prices rose 4.8% from a year earlier.

This rebound is a good news for CIBC investors and bad one for some fund managers. Steve Eisman, who was featured in Michael Lewis's book *The Big Short*, last year predicted that Canada's housing market is "ripe for a pretty severe correction."

**CIBC mortgage exposure**

Among the top Canadian lenders, CIBC is the smallest, but it has the largest exposure to Canada's mortgage market. Due to this vulnerability, the lender has often been the target of speculators, keeping its share price depressed and at a considerable discount when compared to its peers.

But as the housing market stabilizes, CIBC's share price is also catching up. During the past three months, CIBC stock has risen more than 6%, thereby outperforming both **Toronto-Dominion Bank** and **Royal Bank of Canada** — the nation's two largest lenders.

The other reason that kept CIBC stock undervalued was its late entry in the U.S. But after its acquisition of Chicago-based PrivateBank last year, the lender is on strong footing to diversify its earnings base and grow its bottom line.

In the first half of this fiscal year, CIBC earned $272 million from U.S. commercial banking and wealth management, a five-fold increase from a year earlier. The U.S. operations are forecast to make up

17% of the bank's overall earnings by 2020, up from its current contribution of 10%.

**The bottom line**

Trading at $119.36 at the time of writing, CIBC stock is still a great buy for long-term income investors. At 4.45%, its dividend yield is still the highest among the major banks. The bank pays $1.33 a share quarterly dividend, which has grown 35% during the past decade. When compared to analysts' consensus price target of $132 for the next 12 months, CIBC has the potential of 10% upside even after its recent gains.

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1. Bank Stocks
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hanwar

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