



## Why This Dividend Stock Is One of the Best to Earn Growing Income

### Description

It's hard to ignore Canadian banks if your investing goal is to earn steadily growing income from some of the best dividend stocks available on the market.

Canada's top banks operate in an oligopoly where it's tough for smaller players to challenge their dominance. These financial companies produce hefty cash flows quarter after quarter and are considered to be the best dividend stocks among the Canadian companies due to their solid track record of rewarding investors.

On average, Canadian banks distribute between 40% and 50% of their net income in dividends and grow them regularly. I don't see that situation to change anytime soon as the strengthening economy fuels more growth in the income of these banks.

Let's look at [Canadian Imperial Bank of Commerce \(TSX:CM\)\(NYSE:CM\)](#) to see if this lender is a buy after its third-quarter earnings report.

### Impressive Q3 earnings

CIBC is the smallest of the Big Five big lenders in Canada. The lender has often been the target of speculators, who blame the bank for its aggressive mortgage lending in a market where home prices have seen massive gains after a decade-long boom.

But in the latest earnings report, the lender looks to be in a great shape despite the expected decline in its mortgage business. Its net income for the third-quarter rose 25% to \$1.37 billion, or \$3.01 a share, from \$1.1 billion, or \$2.60, a year earlier, beating the market expectations.

This performance is very impressive at a time when Canada's demand for mortgages is slowing fast following the new rules that have made it tough for borrowers to qualify. At CIBC, new mortgages sales dropped by more than 40% in the third quarter compared with a year ago.

CIBC is seen by many analysts as the most exposed to Canada's housing market because residential mortgages make up a higher proportion of its loan book than other top lenders.

But that scenario didn't play out as yet. As the demand for mortgages decline, CIBC's U.S. operations have begun to contribute in the bottom line profitability. The income from its Chicago-based PrivateBancorp, that it acquired last year for \$5 billion, jumped 295% in the third-quarter.

### **The bottom line**

CIBC financial strength in the third-quarter shows that the lender is very successfully riding through the slowdown in mortgage lending that was one of the main growth drivers in the past. The risk of [housing market collapse](#) was the biggest drag on the CIBC stock that kept investors on the sidelines.

Trading at \$122.59 and with an annual dividend yield of 4.37%, CIBC is the highest yielding stock among the top five banks. At this level, CIBC may not look too attractive after a 12% jump from the April low, but it won't be a bad idea to grab this stock when the next dip comes.

### **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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