Opportunity Is Knocking! Why You Should Diversify With This Leading Bank

Description

There's plenty to love about Canada's Big Banks. The incredible dividend, the record-breaking results that seem to never end, the stream of incredible acquisitions that can provide years of growth, and so much more. One bank that has made significant strides over the course of the past few years is **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM).

So what makes CIBC such a great investment, and even better than some, if not all of its peers at the moment? Let's take a look at four key factors.

CIBC's expansion into new markets was sheer genius

CIBC sent shockwaves across the market when it acquired U.S.-based PrivateBancorp in 2017. Not only did that deal address investor concerns about a lack of diversification in the domestic market, but the deal also opened up a lucrative new market in the U.S. for CIBC to continue to expand, much like its Big Bank peers have done so since the end of the Great Recession.

That acquisition was followed up with the acquisition of wealth management firm Geneva Advisers, both of which have been begun contributing to CIBC's stellar results.

CIBC has addressed the housing market concerns of investors

One of the most common concerns among critics of CIBC was the bank's exposure to the overheated mortgage market. With housing prices soaring to new levels over the course of the past few years, CIBC saw ever-growing mortgage balances that were significantly higher than its peers. By way of example, last year a surge in home-loan balances saw year-over-year increases of 12%.

That level of exposure was a concern to many investors, who feared that a housing market slowdown or a recession could wreak havoc on CIBC's balance sheet. When the government imposed a new set of mortgage qualification rules at the turn of the year, some of that demand subsided.

In the most recent quarter CIBC saw mortgage balances rise only 2.5%, reflecting the slowest growthin over four years, and by comparison just one-fifth of the growth reported in the same quarter last year.

Further interest rate hikes could be good for profits

Another key point that is often dismissed is the impact of rising interest rates. Simply put, banks lend money and charge interest. The higher the rate, the more money the bank earns.

Where this gets interesting is when we take into consideration CIBC's new U.S.-based loans and deposits, which has a higher interest rate.

In the most recent quarter, CIBC's U.S. Commercial Banking and Wealth Management arm reported a 295% improvement over the same period last year, with net income coming in at $162 million. That increase was primarily attributed to the results from the U.S. operation.

CIBC tops the list as a growth and income generator

Canada's banks pay some of the best dividends on the market, and they heavily outperform their peers south of the border in the U.S. market. CIBC is no exception to this, with the bank offering investors a quarterly payout with a very appetizing 4.44% yield.

In addition to that stellar yield, CIBC has quietly become one of the most aggressive in terms of growth, with a record of annual or better increases spanning back several years, with no less than four hikes in the past two years.

Turning to growth, a string of better than expected results have seen CIBC's stock soar 15% in the past year and over 20% in the past two years, which is more than likely going to continue for the foreseeable future, making CIBC an excellent long-term growth and income option for nearly any portfolio.

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