

# Income-Oriented TFSA Investors: Buy This Cheap Bank Now and Hold It Forever

## Description

Your TFSA probably shed a considerable amount of its value this horrific October. Instead of worrying about whether you should trim your holdings before things get worse, you should do the Foolish thing and buy some of the stocks on your radar, many of which may now be trading at temporary discounts to their intrinsic value.

If you don't have any names on your radar, you should start with quality blue-chip dividend payers like Canada's top banks, which have been hit pretty hard over the past month thanks to the broader TSX's abrupt fall into correction territory.

Of all the on-sale Canadian bank stocks, [Canadian Imperial Bank of Commerce \(TSX:CM\)\(NYSE:CM\)](#) strikes me as one of the most remarkable opportunities in the bargain bin. At the time of writing, CIBC stock has taken a 10% fall from its peak and now has a forward and trailing P/E in the single digits with a dividend yield that's just south of the 5% mark.

Now, you're probably not surprised to see CIBC stock trading at such a discount. After all, the name's been trading at a discount relative to its Big Five peers for many years now because it's seen as the lowest-quality bank with little in the way of geographic diversification and an unfavourable overexposure to the overheated domestic housing market.

Of late, however, CIBC has made significant strides to address its prior shortcomings. Most notably, the company's U.S. business is firing on all cylinders and is expected to contribute a larger chunk of the company's overall revenues over the medium term, which will in turn eliminate the domestic market overexposure discount that CIBC stock has carried in the past.

CIBC's PrivateBancorp posted solid earnings contributions (\$126 million for the quarter) as well as promising quarter-over-quarter margins to go with impressive loan and deposit growth for its third-quarter. As CIBC continues to bolster its promising U.S. foundation with tuck-in acquisitions while continuing to improve on efficiency to keep expenses in check, there's no question that CIBC's valuation gap between its peers will gradually begin to fade with time.

The management team at CIBC has shown that they [can compete with the best-of-the-best](#) in the Canadian banking scene, and with interest rates continuing to rise, net interest margins (NIM) will only serve to accelerate CIBC's upward trajectory as it makes up for lost time after many years as the lagging fifth player of the Big Five.

For CIBC, mortgage growth is slowing, but given higher NIMs and smarter operating moves, I consider the trade-off more than favourable despite the concerns of some analysts.

## Foolish takeaway

CIBC doesn't deserve to be punished as much as it has been. The stock was already trading at a

discount before the dip, and now that the yield is flirting with the 5% mark again, I think investors should pick up shares today before the bank gets back on its positive trajectory.

Stay hungry. Stay Foolish.

## 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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