

When Is the Right Time to Buy This Top Dividend Stock for Your TFSA?

Description

The only time when I recommend [buying a banking stock](#) from Canada's prestigious club of the top five is when the price of any member takes a good hit.

The logic behind this strategy is simple: Canada's biggest banking stocks always recover from the dip and any weakness usually presents a great opportunity for long-term investors, such as those investing through their Tax-Free Savings Account (TFSA).

Today, I would like to highlight the bull case for **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). Its shares have fallen more than 8% since reaching a record high in mid-September amid a general sell-off in the markets. But this weakness offers a good entry point to long-term TFSA investors.

First, CIBC earnings momentum remains strong. In the third-quarter period, that ended on July 31, CIBC reported a 25% jump in its quarterly profit, benefiting from a solid performance at its local operations and a growing income from its U.S. business.

Growing dividend income

A robust performance at its U.S. operations is a great turnaround for a bank, which has long been criticized for a slow expansion south of the border. After its acquisition of Chicago-based PrivateBancorp last year, the lender is on strong footing to diversify its earnings base and grow its bottom line.

The lender's growing income is a good sign for investors whose aim is to earn dividend income. In August, CIBC also hiked its quarterly dividend to \$1.36 per share, up from \$1.33.

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 that fear is purely speculative. Canada's housing market, after going through a correction, is stabilizing, and there is a no sign of a hard landing for the market, which has been growing for the past decade.

Home sales in Toronto, the nation's largest city, climbed in October as new listings fell, pushing prices higher and signalling the city's real estate market is tightening again.

The bottom line

Trading at \$114.64 and with an annual dividend yield of 4.78% at the time of writing, CIBC stock looks a great buy for TFSA investors. Its current dividend yield is one of the highest among the major banks. The bank pays \$1.36 a share quarterly dividend, which has been growing consistently.

When compared to analysts' consensus price target of \$133 for the next 12 months, CIBC has the potential of 16% upside move. But history tells us that top banking stocks rebound quickly once they have taken a hit.

CATEGORY

1. Bank Stocks
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