Is CIBC (TSX:CM) a Buy and Hold for Life Stock?

Description

One of the most popular stocks on the TSX index, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), more commonly known as CIBC to its customers, is sometimes held up as a dividend stock to buy and hold for life. A diversified banking pick, this stalwart Canadian institution services the financial industry with products and services tailored to private, small business, commercial, and organizational customers across North America, with additional international clients.

Investing for beginners is pretty cut and dry when it comes to Canadian stocks: alongside your mining and utilities stocks, financials are top of the must-buy list. Of those, the Big Five are your most likely candidates for investment, with CIBC stock often touted as one of the strongest plays when looking at how to invest in the TSX index for the first time.

Want a defensive dividend-payer for your TFSA or RRSP? Sure you do – and with a market cap of $50 billion, CIBC is just that. One-year returns were down 0.2%, though the average one-year returns for the Canadian banking industry were down 4.8%, meaning that even with this negative reading, CIBC outperformed its area. A one-year past earnings growth of 14.5% buoyed up a five-year average past earnings growth of 10.3%, adding yet another reason to buy CIBC stock.

A PEG of 2.4 times growth is something of a con, though, and while CIBC holds an acceptable proportion of non-loan assets, it has a low allowance for bad loans – another con. A higher volume of inside selling than buying in the last three months may have nervous investors looking to competitors among the rest of the Big Five.

Buy, sell, or hold?

It's a buy: value-wise, CIBC stock has a P/E of 9.9 times earnings, P/B of 1.6 times book, and a dividend yield of 4.78% at current prices, while a ROE of 15%, EPS of $11.48, and 4.2% expected annual growth in earnings signify good quality. For those who like to buy and sell fast, CIBC gained 1.88% in the last five days at the time of writing, though its market-weight beta of 1.04 and share price discounted by 25% compared to its future cash flow value make for a dull stock.

However, dull is a good thing if you want a stock to buy and hold forever; that low beta indicates low volatility, in case you didn't know, making this a great pick for any investor with little or no appetite for risk and only a finite amount of time to dedicate to watching their stocks. With a good outlook, decent dividends, and good valuation, this should be a good stock to buy for regular passive income.

The bottom line

Splurging on CIBC stock is still a great way to make money with the TSX index and a perfect stock to buy early on when investing in Canada for the first time. Adding CIBC stock to a new or existing dividend portfolio can increase your passive income, and also offers a good play for anyone looking to hold assets that will improve over time while they provide stability in an uncertain economic climate.

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