



## Should You Buy Canadian Imperial Bank of Commerce (TSX:CM) Stock Right Now?

### Description

The Canadian banks rarely go on sale, but the sharp drop in the market in the past month is giving investors an opportunity to pick up some of the country's top financial stocks at reasonable prices.

Let's take a look at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) to see if it deserves to be on your [buy list](#) today.

### Attractive price

CIBC's share price closed above \$124 on September 24. At the time of writing, investors can pick it up for \$114, which isn't too far off the 52-week low of \$110. At the current price, CIBC trades at 10 times trailing earnings and 9.1 time forward earnings, which is pretty cheap, given the strong economic situation in both Canada and the United States.

At 1.6, the price-to-book value is the lowest it has been in a decade, and CIBC's situation is certainly better today than it was in 2008.

### Risks

CIBC has a large relative exposure to the Canadian housing market, which may be why investors aren't willing to give the company the same multiple as its peers. As interest rates rise, some Canadian homeowners could get hit with new payments that are too high. If the situation becomes widespread, there is a risk the market could see a jump in listings and a meaningful drop in house prices.

So far, the housing market is holding up quite well, despite the sharp rise in interest rates over the past year. The longer the market remains steady, the less likely it is that we'll see a shock. CIBC's mortgage portfolio is large, but it can ride out a rough patch, so the market concerns could be overblown.

In the event of a larger than expected downturn, CIBC is well capitalized with a CET1 ratio of 11.3%.

## U.S. expansion

CIBC took a big step toward diversifying its revenue stream when it spent US\$5 billion in 2017 to acquire Chicago-based PrivateBancorp. The purchase ended up being at a much higher price than CIBC had hoped to pay, but the deal should still be positive in the long run. Management has indicated more acquisitions could be on the way, especially in the wealth management sector.

## Earnings

CIBC reported solid results for fiscal Q3 2018. Adjusted net income came in at \$1.4 billion, compared to \$1.2 billion in the same period last year. Return on equity (ROE) remains healthy at 17.1%, compared to 17.3% in fiscal Q3 2017.

## Dividends

CIBC already raised its dividend twice in 2018, from \$1.30 per share to \$1.33 and then again to \$1.36, so management is obviously comfortable with the revenue and earnings outlook. The current payout provides a yield of 4.8%.

## Should you buy?

CIBC's current price-to-earnings multiple is at a level we would normally see in distressed economic times. That's not the case today, and while an economic slowdown could be in the cards in the next few years, there is little indication of an impending downturn.

The dividend should be rock solid, so investors with a buy-and-hold strategy might want to start nibbling while the stock remains out of favour.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

**Date**

2025/10/02

**Date Created**

2018/11/12

**Author**

aswalker

default watermark

*default watermark*