The Best Ways to Play CIBC (TSX:CM) Stock in 2019

Description

If there's a bank stock that gets no respect, **Canadian Imperial Bank** (TSX:CM)(NYSE:CM) has to be at the top of the list.

Recently, Foolish contributor Joey Frenette suggested that it's the best Canadian bank for your TFSA buck at 8.8 times its forward earnings.

Frenette, who called me his nemesis at the Fool (all in good fun) in a November article about **Cineplex**, is bang on when it comes to CIBC.

I've spent the past two years making a case that CIBC stock is the best of the Big Five bank investments — 2016, 2017, and 2018 — and in those two years, it appreciated by a measly 5%.

A lack of appreciation — even though it's reduced its reliance on Canadian residential mortgages over this period, significantly improved its U.S. business through the PrivateBancorp acquisition and jumped into the innovation game by acquiring tech lender Wellington Financial and its excellent management team.

My colleague and I might not always agree on particular stocks, but when it comes to CIBC, we are singing from the same hymnbook, and it's frustrating as heck that investors don't see the bank the way we do.

The old saying, "You can't fight City Hall" comes to mind. Sometimes, you have to figure out how to use a particular situation to your advantage. In the case of CIBC, I've got two ways that you can win in 2019.

All of the Big Five are languishing

If you can't beat 'em, join 'em.

Year to date through December 18, the Big Five in terms of total return (dividends and capital appreciation) are down as follows: CIBC (-10.9%), **Bank of Nova Scotia** (-9.2%), **Bank of Montreal** (-

7.1%), **Royal Bank of Canada** (-5.0%), and **Toronto-Dominion Bank** (-3.3%).

That's a lot of red numbers. Fortunately, for its shareholders, they all pay hefty dividends to keep the negative returns from really getting out of hand.

While I believe CIBC provides the best value and opportunity of any of the Canadian big bank stocks, there are a lot of investors who aren't convinced this is the case. However, with all of the losses in 2018, it's hard to know how many of the five will turn it around in 2019.

That being the case, I think it makes abundant sense to buy the **BMO S&P/TSX Equal Weight Banks Index ETF** (TSX:ZEB), an ETF I first recommended back in September 2016. Up 11% (capital appreciation only) since then, it's provided investors with equal-weighted exposure to the Big Five plus the **National Bank of Canada**.

Heading into what bank investors hope is a rebound year, the 0.62% MER is worth the price of admission.

If you don't want to pay an MER, you could always buy an equal amount of all five bank stocks and call it a day. Of course, to do that, you need a reasonable amount of cash to make it happen.

The second option

Perhaps you've heard this before. If so, I apologize.

The Globe and Mail created a buying strategy for the banks many years ago that suggested purchasing the worst-performing of the Canadian bank stocks in a given year, holding it for the next year in its entirety, selling that stock, and repeating the process in the year after that.

It's kind of like the Dogs of the Dow or some other bounceback theory.

In the December 3, 2017, edition of *The Globe and Mail*, investment reporter David Berman highlighted the fact that over 16 years from 2000 to 2016, the process produced an average annual gain of 16%, 600 basis points higher than the **S&P/TSX Composite Index**.

More important, it's beaten holding a single bank stock, including CIBC, over the same 16 years.

If you believe in history repeating itself — the worst-performing stock one year, Berman found, was the best performer the next year about 40% of the time — then you ought to think long and hard about buying CIBC stock heading in 2019.

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

3. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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