Canadian Imperial Bank of Commerce (TSX:CM), Canada's Worst-Performing Bank Stock

Description

Happy New Year! After a wild 2018, investors are no doubt excited to put the year in the rearview mirror. Looking forward to 2019, investors are looking for more consistency and less volatility. This is especially true of the Financial sector. The **TSX Financial Index** lost 9.22% in 2018, its worst performance in a decade. However, the correction has provided investors with an opportunity.

I am not here to warn you against an investment in the **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). On the contrary, the stock is a buy because it was the worst -performing big five bank stock in 2018. Let me explain.

Back-tested research has shown that the worst-performing bank of the previous year tends to outperforms the group in the year following. In 2018, CIBC lost 16.93%% of its value. It narrowly edged out the **Bank of Nova Scotia**'s negative 16.49% performance. As such, investors can expect the bank to outperform the group average this coming year.

One of the best-valued banks

Thanks to its poor performance this past year, CIBC is now one of Canada's best valued banks. The company is trading at a price-to-earnings ratio of 8.73, well below its historical average. It hasn't been this cheap since the financial crisis.

Once it trades inline with its 11.3 P/E average, investors are looking at 30% upside from today's share price. As I wrote about several times before, Canada's Big Five banks have always reverted to the mean.

The company is also trading approximately 38% below its Graham number of $138.87. The Graham number is a popular metric named after the father of value investing, Benjamin Graham. The number represents the intrinsic value of the company and is the maximum that an investor should pay for the stock.

A robust dividend

Canadian Imperial offers an attractive dividend that's currently yielding 5.35%. Once again, the bank's yield hasn't been this high since 2009. It's a rarity to see a high-quality company offer such an attractive starting yield.

Is the dividend safe? Without question. Its payout ratio of 45.93% is one of the lowest among the Big Five banks, second only to Toronto-Dominion. It is a Canadian Dividend Aristocrat with an eight-year dividend growth steak. A streak that has plenty of room to be extended.

Foolish takeaway

If you're looking for a simply stock picking strategy, there are none simpler. As the worst-performing bank in 2018 and trading well below its historical P/E average, CIBC is a buy. The bank offers a juicy and growing dividend and provides exceptional value.

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)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/24
Date Created
2019/01/02
Author
mlitalien