



## Bigger Banking Bargain: CIBC (TSX:CM) vs. Toronto-Dominion Bank (TSX:TD)

### Description

Canadian banks are among the biggest of bargains after the [October-December sell-off](#) that folks on the Street are now referring to as the “Trump Slump.”

Of all the Big Six banking bargains, **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) appear to be top contenders for the title of “best bank for your buck” this January. CIBC is the cheapest bank based on traditional valuation metrics by far, and TD Bank is the “best” bank based on earnings quality, forward-looking dividend growth, and fintech investments, among many other attractive attributes where TD Bank is in a league of its own.

So, without further ado, let’s take a closer look at each battered bargain to see which, if any, is worthy of your 2019 TFSA contribution:

### CIBC

There’s cheap, dirt-cheap, and then there’s CIBC, which is priced as if the company was as unprepared as it was prior to the Financial Crisis.

While CIBC still possesses the highest exposure to the Canadian housing market (a single source of failure) compared to any other Big Six bank, the severely depressed valuation of CIBC shares leads me to believe that some folks expect that liquidity will definitely become an issue in the event of a violent housing meltdown in spite of the stress tests that have already been conducted.

In recent months, CIBC’s mortgage book has experienced slowed growth, and with more focus being drawn to CIBC Bank USA, I suspect it’ll just be a matter of a few years before CIBC closes the valuation gap with its larger peers. CIBC’s overdependence on the Canadian market is steadily being diminished with exposure in the “growthier” U.S. market. Management has made huge improvements over the past few years, and with customer perception inching higher by the year, I think CIBC is worthy of a much higher multiple considering what CIBC will become in five years out.

### Toronto-Dominion Bank

TD Bank could soon become the largest Canadian company by market cap as the business is starting to pick up traction relative to its peers in the space. The bank clocked in an applause-worthy +17% ROE for 2018, which is remarkable given that the U.S. market typically comes with lower ROEs versus that of Canada. As the U.S. business continues to grow, and as it does, acquisitions aren't going to come cheap because the bank's going to need to pay up for quality.

On the technology front, TD Bank is starting to see its investments reap fruit with the release of its mobile-based AI chatbot called "TD Clari," which is in its early stages. Slowly, but surely, I expect such consumer-facing innovations to work its way into the financials. For now, TD Bank will likely continue to skate where it thinks the puck is headed next. The future of the banking industry is indeed filled with the potential for technological disruption, so TD Bank's tech efforts won't go unnoticed for long.

### **The better buy?**

The good old cheap versus quality battle.

CIBC is ridiculously cheap, but it isn't of vastly inferior quality to its peers in the Big Six despite its battered multiples. TD Bank, while a quality player in the space, trades as if the business isn't in the best shape it's ever been. Seeing as TD Bank performed head-and-shoulders above most of its peers, including CIBC, and still got battered, I'd say TD Bank is a better bargain than CIBC, but only by a hair.

If you're looking for deep-value and income, I'd go with CIBC, as its 5.2% yield is the [most bountiful](#) it's been in recent memory. If you're a younger investor who'd rather enjoy long-term growth and dividend growth, TD Bank may be your horse! Personally, I'm a buyer of both at this juncture.

Stay hungry. Stay Foolish.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:TD (The Toronto-Dominion Bank)

### **PARTNER-FEEDS**

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

### **Category**

1. Bank Stocks
2. Dividend Stocks
3. Investing

**Date**

2025/07/22

**Date Created**

2019/01/13

**Author**

joefrenette

default watermark

default watermark