RRSP Investors: Is Canadian Imperial Bank of Commerce (TSX:CM) the Best Bank Stock for You?

Description

A **Bank of Montreal** Financial Group poll released in late February revealed that 32% of respondents did not know how to distinguish between a tax-free savings account and an RRSP. The survey also revealed that 56% of young Canadian respondents do not have an RRSP account, compared to 67% of baby boomers and generation X respondents who did.

We have moved past the March 1 deadline for 2018 contributions, which gives investors some time to re-orient their strategies in 2019. Ideally investors can utilize a TFSA, which provides flexibility and the opportunity to rack up tax-free income and the RRSP. TFSA investors are then free to invest more aggressively to maximize potential tax-free gains. RRSP investors, on the other hand, should seek out stocks that offer stability and steady income for the long term.

Today we are going to look at a Canadian bank stock that has consistently been tops among its peers in terms of dividend yield. Is it the best bank stock for RRSP investors today? Let's find out.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) stock had climbed 10.9% in 2019 as of close on March 6. Shares were still down 3.4% year over year. The bank released its first-quarter results for 2019 on February 28.

On March 1, I'd briefly touched on CIBC's earnings and concluded that the bank was facing a challenging environment going forward. In the first quarter adjusted net income fell to $1.36 billion compared to $1.43 billion in the prior year. Adjusted diluted earnings per share decreased to $3.01 which represented a 5% dip from Q1 2018.

CIBC's Canadian Personal and Small Business Banking segment reported adjusted net income of $632 million which was down 4% year over year. The bank did report higher spreads and volume growth, which is encouraging in a difficult economic climate in Canada. In Q4 2018 Canada reported GDP growth of 0.4%. Growth is expected to be subdued in the first quarter as well. Poor market conditions contributed to a 38% drop in net income for CIBC's Capital Markets segment.

CIBC continued to post impressive growth in its U.S. Commercial Banking and Wealth Management segment. Adjusted net income rose 24% year-over-year to $174 million. The bank reported volume growth and increased assets under management.

In the face of a disappointing quarter, CIBC still rewarded its shareholders. The bank announced an increase in its quarterly dividend to $1.40 per share. This represents a 4.9% yield. At its current value, CIBC is nearing the 5% yield threshold, which should pique the interest of value and income investors alike.

How does CIBC's stock price look right now? CIBC stock boasted an RSI of 54 as of close on March 6. Factoring in its P/E of 9.7, CIBC is in neutral territory. It is a solid hold, but investors looking to buy may want to remain on the sidelines a little while longer.

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