



Which Rapidly Expanding Bank Is a Better Buy?

Description

Canada's Big Banks have long been considered the foundation of any well-diversified portfolio thanks to a [series of stellar results](#), growing dividend yields, and an overall positive outlook towards the market.

With many experts now viewing the cooling market as signs that a correction or even a recession could be around the corner, it begs the question which of the Big Banks is the best fit for your portfolio.

Today we'll take a look at the case for investing in **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) or **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#))

The case for Scotiabank

While many of Scotiabank's peers opted to expand into the lucrative U.S. market, Scotiabank instead opted to expand into the Latin American markets of Mexico, Columbia, Peru, and Chile. The four nations are part of a trade bloc known as the Pacific Alliance, which is tasked with eliminating tariffs between members and by extension, fostering better trade and investment between those markets.

Scotiabank's brilliant decision to expand heavily into those markets has resulted in the bank gaining status throughout the trade bloc as a common, if not a familiar lender, resulting in continued strong growth from the region with each passing quarter.

That growth has also been the catalyst behind a number of key acquisitions that the bank has completed throughout the region in recent years. In fact, over the course of the past two years, Scotiabank has completed no less than four separate acquisitions, two of which were directly associated to that region.

In the most recent quarter, Scotiabank reported net income of \$2.246 billion, coming in lower than the \$2.337 billion that the bank reported in the same quarter last year. On a per share basis, Scotiabank earned \$1.71 per diluted share in the most recent quarter, reflecting a \$0.15 per share drop over the same quarter last year.

In terms of a dividend, Scotiabank announced a 6% hike to its quarterly dividend, which now provides a handsome yield of 4.79%.

Scotiabank currently trades at just over \$72 with a P/E of 10.85.

The case for CIBC

CIBC jumped into the latest round of international expansion much later than its peers, ultimately completing the acquisition of PrivateBanCorp in 2017 and establishing the bank as a powerhouse in the lucrative U.S. Midwest market near Chicago.

The acquisition provided a new source of revenue for the bank and silenced critics that ultimately saw CIBC as being too focused on the domestic market (and by extension, the overheated mortgage market). The move to diversify into the U.S. market was well-timed, as the most recent quarterly update saw weakness emerge on a variety of fronts in the domestic market.

In the most recent quarter, earnings came in at \$1.18 billion, thereby reflecting an 11% dip over the same period last year. Much of that drop was attributed to weakness to both the capital markets as well as the personal and small banking segments in Canada, both of which registered drops of 38% and 29%, respectively.

On an adjusted basis, the bank earned \$3.01 per share, falling below the \$3.18 per share reported in the same quarter last year as well as the \$3.08 per share that analysts were expecting.

By comparison, the bank's U.S. commercial banking and wealth management segment saw an uptick in net income by 25% in the most recent quarter, coming in at \$168 million.

In terms of a dividend, CIBC offers a quarterly dividend that works out to an impressive 4.96% yield. The bank has maintained a steady stream of annual upticks to the dividend, with the most recent four cent uptick being announced in this latest quarter.

This latest quarter marks the second consecutive earnings miss for CIBC following a prolonged period of surpassing expectations in recent years.

CIBC currently trades at just over \$112 with a P/E of 9.94.

Which is the better investment?

Both CIBC and Scotiabank make excellent long-term investment options, particularly for those investors looking to [diversify their portfolio](#) with some exposure to foreign markets.

In my opinion, Bank of Nova Scotia remains the better investment option between the two banks, which I place down to the vastly more diversified international network that the bank maintains, as well as the stellar performance we continue to see from the Pacific Alliance region.

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