# Act Now: This Top Bank Stock Just Set off a Buy Signal

## Description

The last batch of bank earnings were a mixed bag for Canada's top financial institutions. In the beginning of March, I'd warned readers to hold off buying bank stocks.



**Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) stock dropped 1.33% to close out the week on March 29. Shares have fallen 5.4% over the past month. CIBC stock has now dropped 7.1% over the past year.

Last month I'd discussed why CIBC was a nice target for investors seeking income. However, at the time I recommended CIBC stock as a hold and recommended that readers hold off buying until the time was right. One important indicator suggests that now is the time to pull the trigger as we push into April.

The **Relative Strength (RSI) Index** measures the speed and change of price movements in equities. The RSI oscillates between 0 and 100. As a rule, the RSI is considered overbought above 70 and oversold when it falls below 30. In a bull market, the RSI tends to remain in the 40 to 90 range, while in a downtrend it can linger in the 10 to 60 range. The TSX rally slowed in March, but is still in an uptrend in early spring.

CIBC stock hit an RSI of 25 as of close on March 29. Going by the RSI indicator, this suggests that CIBC stock is oversold in early April. The bank increased its quarterly dividend to $1.33 per share in the previous quarter. After the most recent dip, this puts CIBC's yield at 5%. For investors on the hunt for income and Canadian bank stocks, this stock comes in at fantastic value right now.

CIBC released its first-quarter results on February 28. Adjusted net income climbed to $1.43 billion compared to $1.16 billion in the prior year. The bank reported adjusted diluted earnings per share of $3.18 over $2.89 in Q1 2018. CIBC reported solid growth in most of its business segments. Capital Market was the one weak point, but this was the case for CIBC's peers as global markets sputtered in late 2018. This spilled over to weigh on trading revenue and equity and debt underwriting revenue in the first quarter.

The bank has continued to post impressive growth in the U.S., which is also a common theme for Canada's top banks. The U.S. Commercial Banking and Wealth Management segment posted adjusted net income of $140 million in the first quarter which was up 352% from the prior year. This huge boost was primarily due to the inclusion of CIBC Bank USA that started in Q3 2017.

## Is CIBC a must-buy today?

There are legitimate headwinds that investors should be thinking about as we push ahead, but CIBC looks like a solid addition to start the first full month of spring. Its dip into oversold territory combined with an attractive 5% yield is enough reason to pull the trigger today.

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