



The #1 TFSA Bank Stock to Buy Today

Description

Some of the greatest growth investments to include in any Canadian portfolio have been the Canadian banks. These wealth generators have helped generations of retirees build huge income-producing portfolios over the years. If you want to have significant cash generation build in your TFSA when your retirement rolls around, you need to buy shares of one or more of these Canadian behemoths.

Of all the Canadian banks, **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) has always been my least favourite. But in spite of this fact, the time has arrived to buy. Of the Big Five Canadian banks, it is the one that is the most focused on Canada. At another time in history, this might have been a good thing. But soaring levels of personal, business, and government debt have all left the Canadian economy in a position of extreme fragility where even the smallest interest rate movement means financial doom for the nation.

The good news is that everyone else seems to dislike this bank's positioning as much as I do. The stock is currently trading at a price-to-earnings ratio of [nine times](#) trailing earnings and a price-to-book ratio of 1.4, making it the cheapest of all the large Canadian banks. When the price to earnings of a Canadian bank falls below 10, any long-term Canadian investor has to stop and take a look.

Of course, Canadian economic weakness has taken its toll. Double-digit decreases in domestic personal and small business lending in the fourth quarter of 2018 hit profits, which dropped by 11% over the same quarter of 2017. Since the bank is expecting mortgage growth to be flat or low this year, it does not seem likely there will be much in the way of positive news in the near term.

But even though it is very heavily exposed to the Canadian economy, CIBC has been trying to expand more aggressively beyond the national border. The bank purchased the Chicago-based Privatebank in the United States for US\$5 billion in 2017, and that bet has begun to pay off. U.S. commercial banking and wealth management earnings increased by 25% in 2018. In the end, the U.S. banking segment contributed \$407 million to its total net income of \$5,284 million. That represents almost 8% of its total net income in 2018, as opposed to 2% the year before.

It also has the highest dividend in the group. The yield on CIBC is now over 5%, the highest in the group. For me, a dividend of at least 5% is always [an entry point](#) on solid companies like the Canadian banks, so this is the time to start entering a position in the company. This dividend is likely to continue

growing as well. Recently, the bank continued its streak of dividend raises with a hike of 2.9%. Tax-shelter these dividends in your TFSA and you will get a huge boost in income.

The bottom line

CIBC is a great stock to buy today with its great yield and low valuation, but it is certainly not without risks. A contraction in the economy, falling housing prices, or decreased Canadian lending could all negatively impact the stock. Personally, I wouldn't put down all my cash on CIBC shares but would add slowly over time if the share price were to continue to fall. This is a stock to buy and hold in your TFSA for years to come.

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

2025/08/26

Date Created

2019/04/02

Author

krisknutson

default watermark