# Should Toronto-Dominion Bank (TSX:TD) or CIBC (TSX:CM) Stock Be on Your Buy List Today?

## Description

The recent pullback in bank stocks has investors wondering if this is a good time to add to their positions or take profits after the nice run the sector saw to start 2019.

Let's take a look at **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) and **CIBC** (TSX:CM)(NYSE:CM) to see if one deserves to be on your buy list right now.



## TD

TD traded for $80 per share last September but slipped to $66 in late December before staging a nice recovery back above $77 near the end of February. The stock fell through most of March, bottoming out around $72.50, and currently trades close to $75 per share.

At the current price, investors are paying about 12.4 times trailing 12-month earnings. This isn't overly cheap, although the market generally offers TD a premium over some of its peers due to its lower-risk profile.

TD has limited direct exposure to the Canadian energy sector and its mortgage portfolio, while large at total value of $280 billion, isn't too bad given the company has a market capitalization of about $135 billion. The uninsured component of the mortgages has a loan-to-value ratio of 53%, so things would have to get pretty bad in the housing market before the bank sees a material impact. TD is well capitalized with a CET1 ratio of 12%.

TD's U.S. division accounted for more than 35% of the company's fiscal 2018 profits. This provides investors with good exposure to the American economy and offers a nice hedge against any nasty surprises in Canada.

The bank generated adjusted net income of $2.95 billion for fiscal Q1 2019, which was in line with the same period last year. The board just raised the dividend by 10%, so management can't be overly concerned about the earnings outlook.

The current payout provides a yield of 4%.

## CIBC

CIBC is broadly viewed as being the riskier bet of the two banks due to its heavy reliance on Canadian housing loans. That said, the company is making progress in its efforts to diversify its revenue stream with the US$5 billion acquisition of PrivateBancorp in 2017.

CIBC finished fiscal Q1 2019 with total Canadian residential mortgage exposure of $223 billion, which is higher than TD on a relative basis when you consider CIBC's market capitalization of just under $50 billion. The company is well capitalized with a CET1 ratio of 11.2%.

Adjusted net income in the first quarter came in at $1.36 billion, which was down from $1.43 billion in the same period last year. Despite the weaker year-over-year numbers, management raised the quarterly dividend by 3% to $1.40 per share. That's good for a yield of 5.1%.



The market isn't overly optimistic on the stock. CIBC trades at just 9.7 times trailing 12-month earnings, which appears a bit low, even considering the weaker first-quarter numbers.

## Is one a better bet?

Conservative investors should probably go with TD as the first choice. The bank has stronger dividend growth and likely carries less risk in the event the Canadian economy rolls over in the next couple of years.

Investors who have a contrarian style might want to nibble on CIBC on any additional downside. The bank is making progress on its efforts to diversify the revenue stream and the current discount in the multiple might be overdone. Risks remain, but you get paid a solid 5% yield and a shot at some nice gains when sentiment shifts.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

**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
4. Stocks for Beginners

**Date**
2025/08/05
**Date Created**
2019/04/07
**Author**
aswalker