



Why CIBC (TSX:CM) Is Today's Best Bank for Your Buck

Description

Bank stocks are fairly cheap right now after navigating a tougher macro environment. While lower activities in the capital markets and dampened loan growth was a common theme for all Canadian banks, some banks did a better job of persevering through this period of slower economic growth. **CIBC (TSX:CM)(NYSE:CM)**, Canada's fifth-largest bank, was among the laggards over the past two quarters with two slight earnings misses and higher credit provisions, which had some investors worried.

Sure, CIBC's near-term results have paled in comparison to some of its bigger brothers, but the overemphasis on the shorter-term performance, I believe, opens a window of opportunity for long-term investors who'd rather buy temporarily troubled name at a fat discount instead of risking overpayment for a stock that's done "okay" given the unfavourable stage that's been set for bank stocks.

At this juncture, it does feel like bank investors are a bit worried about the impact of the economic slowdown and the American short-sellers who've had the Canadian banks in their crosshairs of late. As such, banks like CIBC that barely missed the earnings bar (consensus expectations) of late have been sent to the penalty box with a double minor, and the banks that barely met or beat expectations by pennies have been overly rewarded by Mr. Market.

While CIBC's pop in credit provisions were seen as a major reason to hit the panic button, I believe the whole ordeal has been blown out of proportion. The big banks can expect to see slower EPS growth moving forward, but for CIBC, the bar appears way too low when you consider the promising double-digit growth from the U.S. segment (CIBC Bank USA, formerly known as PrivateBancorp) and the greater operational efficiencies exhibited in domestic banking.

On the U.S. front, CIBC is impressing, but for now, the segment is far less influential than the Canadian business, which still accounts for a vast majority of derived revenues. In any case, CIBC looks well-positioned to become a better version of itself over the next five years. It'll become a more geographically diversified bank, and with that, its shares should command more of a premium.

Over the near term, CIBC could be ripe for a rally, as the capital markets attempt to stage a comeback in the second half of 2019. With the bar now set substantially lower for CIBC relative to its bigger

brothers, I think CIBC has the most year-ahead upside. In the long term, the growing U.S. business and the [massive dividend](#) (currently yielding 5%) are more than enough reason to stick around.

At today's levels, CIBC trades at \$111 and change with a 9.1 forward P/E and a 1.5 P/B, both of which are considerably lower than the five-year historical average multiples of 10.8 and 1.9, respectively. The [long-term thesis](#) remains strong, so if you can stomach a bit of near-term volatility, CIBC looks like the best bank for your buck by far!

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Date

2025/10/01

Date Created

2019/05/09

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