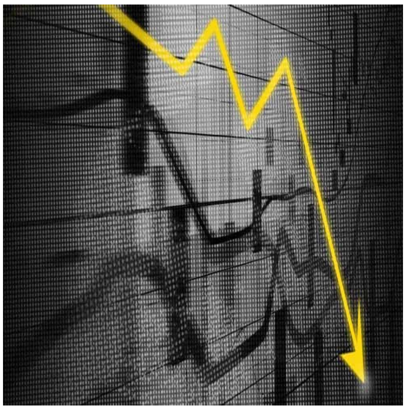

2 Banking Stocks Near 52-Week Lows: Should You Buy in June?

Description

There was considerable anxiety in the investing world ahead of Canadian bank earnings. Volatility in the housing market has some analysts turning bearish, and slower growth on the domestic and international front remains a concern. In the spring, famed short-seller Steve Eisman revealed that he was targeting some of Canada's top banks, which he expected to suffer the consequences of "credit normalization."

Today, we are going to look at two top banking stocks that have plunged after releasing second-quarter earnings. Markets have been uneasy after the Trump administration backed off its tariff threat against Mexico. Unfortunately, there are now expectations of a rate cut from North American central banks. A failure to do so may rattle markets further.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) is one of Canada's largest banks and boasts a significant international footprint. Shares have dropped 2.1% month over month as of close on June 11. The stock is still up 4% in 2019 so far.

Scotiabank released its second-quarter 2019 results on May 29. Net income climbed to $2.17 billion, or $1.70 per diluted share, compared to $2.06 billion, or $1.62 per diluted share, in the prior year. International Banking was the strong point once again, as it delivered double-digit earnings growth. It expects continued growth on the back of recent acquisitions in Chile, Colombia, and Peru.

Value wise, Scotiabank looks solid as of close on June 11 with a forward P/E of 9.8. The stock had an RSI of 49 as of this writing, which puts it in neutral territory. Its most attractive quality at this stage is its quarterly dividend of $0.87 per share, representing a 4.9% yield.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) stock has dropped 6.5% over the past month as of close on June 11. Shares have only climbed 1.8% in 2019 so far, which is disappointing considering the broader return on the TSX Index. The stock is down 9.9% from the prior year. In late May, I'd explained why investors should pass on adding CIBC on its post-earnings dip. Let's see how it measures up today.

CIBC shares took a big hit after its second-quarter report. The bank was forced to lower its full-year profit outlook largely due to the cooling housing market and the high cost of technology investments. At the beginning of the fiscal year, CIBC had projected earnings growth between 5% and 10% and now forecasts little to no profit growth for the full year. Its formerly strong mortgage lending portfolio experienced a 0.9% slide in the quarter.

Shares of CIBC are now nearing 52-week lows. CIBC was one of the three stocks Eisman specifically targeted for his Canada bank short. Its value has improved relative to its peers, but investors will likely be forced to stomach more volatility throughout 2019.

However, the Bank of Canada does expect broader conditions to improve for the Canadian economy in the second half. This could make CIBC a potential value play this summer, especially for income investors. The stock currently boasts a quarterly dividend of $1.40 per share, which represents an attractive 5.3% yield. This is tops among its peers.

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1. Bank Stocks
2. Investing

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