A Banking Stock to Hold in Your TFSA Passive-Income Fund for the Next 30 Years

Description

I don't care if the best short-seller in the world is targeting Canada's banks.

Going short the Canadian banks is a ridiculously risky endeavour that could leave all but the most seasoned of traders in a world of pain. As those dividend payments come due, not even the most famous (or infamous) short-seller is safe from getting squeezed, even when you consider today's bleak macro environment that's been set for Canada's top financial institutions.

As industry headwinds gradually fade, so too will the voices of those short-sellers, some of whom appear to be opportunistically crying wolf on the first signs of weakness.

You see, the shorts relish opportunities to appear on TV to share their overly bearish theses and talk up their books, usually after a stock has already exhibited weakness, to grant them more credibility with viewers, many of whom are new investors who are easily rattled by what they hear wherever they hear it.

And when the banks inevitably get back on track, the shorts suddenly run out of things to say. As for the investors who sold or, goodness forbid, shorted shares of Canada's banks, they'll have nobody to blame but themselves for not doing their own research.

While a short-seller like Steve Eisman does have a legendary track record of success with his prior bets, most notably those during the Financial Crisis, there are flaws with his thesis, especially when it comes to **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), which saw its commercial loan book be heavily dragged down by one soured loan in particular.

"Eisman may be making CIBC's loan book look weaker than it really is, given that one single account has had a dramatically outsized effect." wrote Paul Bagnell of *BNN Bloomberg*.

I'm in the camp that thinks Eisman is "window dressing" his bearish stance a tad and would encourage investors to take advantage of the exaggerated negative move by picking up shares of CIBC while they're overly depressed.

The stock is close to the cheapest it's been in a long time. And I'm not biting on the magnitude of CIBC's ill-preparedness when it comes to the next phase of the credit cycle. So, the 5.5% yield together with the 8.5 forward P/E appears to be a gift for Canadians who aren't at all rattled by the dire short thesis or the current weakness in Canada's broader banking scene.

For now, many investors are either subscribing to Eisman's bear stance, which implies something bad's going to happen, or CEO Vic Dodig's position, which implies everything's fine. I'm in the latter camp, and given EPS growth is already expected to be flat for the year, I'd say the bar has been set too low to limbo under with a short position and is thus an easier pole-vault with a long position.

As someone wise once said, "this too shall pass." For now, lock in that 5.5% yield in your TFSA income fund and get paid more than average to endure the uncertain road ahead.

Stay hungry. Stay Foolish.

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