2 Banking Stocks That Offer Big Income

Description

Canadian bank stocks have floundered after a mixed earnings season for the country's top financial institutions. Market conditions improved after a rough first fiscal quarter, but slow growth in the broader economy has weighed on profits. Volatility reared its head in the month of May, but dovish central banks have alleviated investor anxiety. The S&P/TSX Composite Index stumbled in the previous month but has quickly rallied to challenge its 2019 highs in June.

To add to the positive news, the Bank of Canada also expects investment and growth to pick up in the second half of the year. This development, coupled with a softening rate environment, should serve as a solid base for bank equities to build momentum. Today, we are going to look at three bank stocks that not only look discounted, but also offer attractive income that can bolster your portfolio heading into the next decade.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) stock has dropped 5% month over month as of close on June 20. In late May, I'd recommended that investors avoid buying low on the stock after a disappointing earnings release. CIBC bet big on housing in Canada's major metropolitan areas, and the dramatic slowdown since mid-2017 has been a drag on earnings.

The housing market has mostly stabilized after stricter regulations were introduced by provincial and federal bodies. A softer rate environment will ease pressure on consumers and may price in some buyers on the outside looking in after the introduction of the 2018 stress test. Even if lower rates merely underpin the housing market, this will be good news for CIBC.

The bank currently offers a quarterly dividend of $1.40 per share. This represents an attractive 5.3% yield as of this writing. CIBC is facing challenges right now, but its stock is a solid target for investors on the hunt for income.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) stock has climbed 4.9% in 2019 so far. The bank boasts a significant international footprint, which has fueled growth in recent quarters. In the second quarter, Scotiabank reported adjusted net income of $787 million in its International Banking segment. This was up 15% from the prior year. Acquisitions in Peru and the Dominican Republic will work to drive its Pacific Alliance strategy going forward.

Adjusted income in Canadian banking rose 4% year over year to $1.06 billion. Scotiabank benefited from loan growth and strong deposit growth. Lower gains on real estate sales were a drag on Scotiabank's earnings as well, which illustrates the broad impact of the housing slowdown.

In the previous quarter, Scotiabank increased its quarterly dividend to $0.87 per share. This represents a 4.8% yield as of this writing. Like CIBC, Scotiabank stock boasts a P/E TTM that puts it in a more attractive value range in comparison to its high-priced peers. Scotiabank's success with its international strategy inspires more confidence as we kick off the summer, especially considering Canada's anemic economic growth.

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Author
aocallaghan