2 TSX Banking Stocks Trading Near 52-Week Lows

Description

It's been a rough year for the Canadian banking industry. After U.S. hedge funds like Neuberger Berman revealed that they were shorting Canadian banks due to inadequate protection against credit risks, banks like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) started free falling. While other banks fared better, the banking sector as a whole has underperformed the TSX year to date.

As a result, bank stocks are getting cheap and ripe for the picking. Although many of the banks in question are being beaten down for a good reason, there's always a price at which any investment is undervalued. And with dividend yields now pushing close to 6%, some of them are worthy income plays if nothing else. So, without further ado, here are two ultra-cheap TSX bank stocks trading near 52-week lows.

Bank of Nova Scotia

Scotiabank is Canada's most international bank. With operations in Latin America, Europe, and Asia, it has a broader geographic reach than any of its peers in the Big Six.

Scotiabank's international focus gives it some protection against the domestic economic issues that made Canadian banks short targets in 2018. Although Scotiabank has major domestic operations, its international banking operations earn about 50% its of total revenue, so it can still be profitable, even in the worst-case scenario for the Canadian credit cycle.

The stock has a P/E ratio of 10.5 and a dividend that yields 4.9%. It was just 6% higher than its 52-week low as of this writing.

Canadian Imperial Bank of Commerce

CIBC is perhaps Canada's least-favourite bank stock. Its woes go back to well before the current year. In 2008, the bank was caught with its pants down in the recession and had to be bailed out by the government. Since then, the bank has slowly recovered from its previous woes but is still far from a market darling.

Today, CIBC faces considerable risks as the Big Six bank with the greatest exposure to the ailing housing market. However, with new data showing that home sales recovered in May, the bank may not be in as much trouble as it once appeared to be.

As a result of its high PCLs and perceived risk factors, CIBC has been beaten down and is trading at just 3.5% above its 52-week low. If you buy it now, you can lock in a 5.3% dividend yield.

Foolish takeaway

Canadian banks are in a tough place right now, but with early data showing that housing is beginning to recover, the worst may be over. While credit quality and low GDP growth remain concerns, investors can lock in growth by buying Canadian banks with international exposure. And if you buy such banks at 52-week lows, you can even pick up some serious bargains.

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