This Bank May Have the Most Upside

Description

The big Canadian banks haven't been this unattractive in quite a while. Analyst downgrades across the board, decaying macro conditions, short-sellers who can't seem to stay out of the limelight, and weak loan growth that's expected to carry on through year's end.

The banking sector is looking incredibly bleak, but with the exception of **Royal Bank of Canada**, the banks have been slapped with hefty discounts. As you may be aware, the stock market is all about pricing in expectations in the future. At this juncture, where nothing but pessimism is in the air, it may be time to pounce now that most other weak-handed investors have already jumped ship in conjunction with the downgrades.

So, what are we expecting when it comes to the banks moving into the latter part of the year? More of the same. Continued slow loan growth, decaying credit, and all the sort. Although the banks may be a year or so away from credit normalization, it does make sense to pick up shares of the most battered of names on the current dip.

At this juncture, **CIBC** (TSX:CM)(NYSE:CM) looks to be among the most battered of the bunch. And given the excessive pessimism on the name after two abysmal quarters to start the year, it appears that analysts have lowered the bar by so much such that it won't take much to cause a sharp upside correction to shares.

Of course, there's always the potential for more damage to be endured over the coming quarters, but from a risk-reward standpoint, it's looking pretty attractive for those of us who are content on collecting the dividend (currently yielding 5.4%) as they sit on the name for the next few years or so.

For now, shares are down over 16% from their highs with a fairly strong support level at $100. I'd say now is as good a time as any if you're thinking of taking a contrarian position.

If you're worried about the potential for accelerating credit losses as Steve Eisman warned, I'd initiate half a position now and half after the reveal of the next two quarters, which are expected to be just as ugly if not uglier than those in the first half of the year.

Going against the grain in times like these are where the real rewards lie!

Stay hungry. Stay Foolish.

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Date
2025/07/04
Date Created
2019/07/10
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