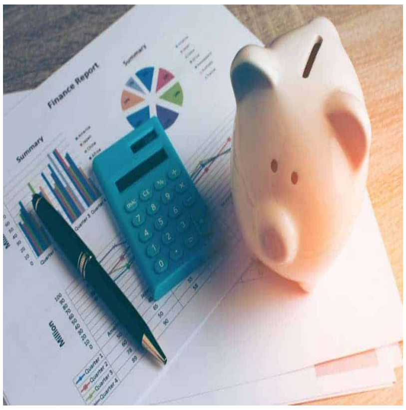

Why CIBC (TSX:CM) Stock's Mouthwatering Dividend Just Got Tastier

Description

One of banking investors' favourite stocks just got a little bit more appealing. It's one of those "blink and you'll miss it" moments, but a key acquisition on the part of **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) has potentially positioned the banker more firmly in the U.S.

CIBC has agreed to buy a boutique investment banker called Clearly Gull. Based in Milwaukee, the firm has a focus on middle of the market business and, in particular, mergers and acquisitions (M&A). Gull also handles debt consultation and private capital placement, giving CIBC a nifty set of readymade tools tailored for the U.S. economy.

CIBC Bank USA's senior executive vice president Michael Capatides had this to say: "This acquisition is a further investment in our North American platform that will deliver enhanced Capital Markets capabilities for our clients, and support our diversification and growth objectives."

The pros and cons of buying CIBC stock

Look no further than CIBC's second-quarter results if you want a reason to stay away, which were broadly disappointing across the board and had TSX investors second guessing the banking sector at a crucial time for the stock market. Compared with other banking stocks, such as **BMO** and **TD Bank**, CIBC has to be pundits' least-favourite choice out of the Big Five based on its year-to-date performance in terms of growth.

There's one simple reason for this: CIBC's greater exposure to the Canadian economy. Now, one might reasonably assume that a Canadian bank might draw its revenue from Canada; however, if you know anything about the metrics of, say, TD Bank, you'll know that a lot of the growth in the Canadian banking sector is coming from the U.S. CIBC, by comparison, has a much lower level of access to the American economy, with just 10% of its revenue sourced south of the border.

That's why the news that CIBC is snapping up an American financial firm is significant. While it may not put CIBC on the same footing as its peers, it's still a move in a similar direction and shows that CIBC is committed to growth in the American market. That can only be a good thing for current investors, though one could argue that a homogenized Big Five would give newcomers less variety when it comes to focused market access.

A 5.42% yield would be another good reason why new TSX investors might want to stash CIBC shares in their TFSA or other long-term stock portfolio. This is a decent yield for a Canadian bank and beats TD Bank's yield of 3.87% and even **Scotiabank's** 4.92%. While CIBC's growth may be an issue, strategic use of its funds and attractive valuation could add up to a smart choice for a nest egg investment.

The bottom line

A solid dividend and a commitment to growing its U.S. presence make CIBC stock an inviting play today. As an option for an RRSP or other retirement plan, the lowest ranked of the Big Five certainly has a few things to recommend it. From a high yield to moderate market share, CIBC is a fairly strong choice in the financials space.

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