



Should You Buy Canadian Imperial Bank of Commerce (TSX:CM) Stock on Weakness?

Description

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) stock has lagged its Canadian banking peers for much of the past 12 months, a trend that was punctuated with a sharp sell-off in CM stock following its second-quarter earnings release in May.

Of course, we all know how the vaunted reputation of Canada's banking stocks as high-quality dividend-paying investments, so is this not an opportune time to be picking up CM shares on weakness?

Let's help ourselves sort this analysis out by first breaking it down into bite-size pieces...

CM is the relative value play in Canadian banking stocks right now

There's no question that CM stock these days is the relative value within the market for Canadian banking stocks.

Historically speaking (and there's no reason to believe that this won't continue) the Canadian banks have tended to move in lockstep with one another.

Certainly, there will be periods when one company outperforms another in terms of its financial results or periods where another bank's share price will begin to lag the group for any of a multitude of reasons, but over the long term, there hasn't really been much separation from the pack, so to speak.

From that standpoint then, a relative-value investment in CIBC today only looks like it makes a whole lot of sense.

CM pays the highest dividend yield among its peer group

Particularly in the case of retirees and income investors, it becomes difficult to make the case against an investment in CM when you match it up against the rest of its Canadian banking peers.

The stock's yield entering this week's trading is 5.39% which is significantly more than any other of the Big Five Canadian banks.

Thanks to its industry-leading returns on equity, CIBC has been able to consistently raise its payout without sacrificing the opportunity to reinvest in its future while managing to keep its payout ratio constrained to reasonable levels.

Enhanced exposure to Canadian credit markets

Depending on your view of events, this one could either be an asset or a liability.

Relative to Canada's other Big Five banks, CIBC has arguably the biggest exposure to [Canadian domestic credit markets](#) through both its personal banking and small and medium business units.

If the presently heightened levels of debt outstanding among Canada's private sector (read: households) ultimately becomes a problem down the road, that exposure could quickly turn into a vulnerability for the bank and its shareholders.

Meanwhile, [if those fears turn out to be overblown](#), the relative undervaluation that CM stock is receiving from the market right now could prove to be a rewarding opportunity for cleverly minded Foolish readers.

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