



Why the Best Dividend Banking Stock Isn't CIBC (TSX:CM)

Description

There has much debate lately surrounding bank stocks. While you can't really go wrong investing in any Canadian bank, you can certainly choose the best option for your portfolio.

The main issue lately is that of a recession. Canadian banks performed as some of the best financial institutions in the world during the last recession, but with this the next potential recession, analysts are concerned about a possible housing crisis.

While all Canadian banks would be hit by such a crisis, **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) stands to lose the most.

CIBC has already lost a fair bit. During its latest reports, analysts have stated that CIBC looks "[ill-prepared](#)" in the face of a recession, without the diverse portfolio that some of its peers do.

This means that over the next few quarters, CIBC could continue having poor results, sending the stock down even further.

Those interested in the bank's incredible dividend should therefore be a bit concerned. The last recession brought dividend cuts across the board, but even without cuts, the likelihood of the bank being able to make dividend increases during times of turbulence will become practically nil.

So while a 5.5% dividend yield, coming out to \$5.60 per share, looks great for now, it might not look so great in a year's time.

For my money, I would look to a bank that has a more diverse portfolio that has proven it can pick up the slack elsewhere during said times of turbulence.

TD Bank

Despite having a dividend of almost half of CIBC, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) has plenty of room to grow.

If you take a look at the last five years, TD's dividend has increased by 61%, at an average of just over 12% per year. TD has also said it plans to increase the dividend by 7-10% over the next few years.

In those same five years, CIBC has grown by just under 40%, for an average of under 8% per year.

While that's still growth, TD has the cash to back up future dividend growth over the next few years. Year to date, TD's share price has increased by about 8.5%, whereas CIBC has actually gone down by about 2.5%.

What's more, TD is going through a slump right now, with its share price around \$75. The stock was closer to \$80 per share only last week, making now a great time to buy.

Now you might be asking yourself, "I thought all banks would be susceptible to a housing crisis? What makes TD so special?" The answer lies in its recent expansion into the United States.

this has created a wealth of diversity for TD, as this expansion has made TD one of the top 10 banks in the United States, and it's only in the beginning phases.

On top of that, the bank is now expanding into the wealth and commercial management sector, a highly lucrative part of the industry.

This leaves opportunities galore for TD to bring in even more cash even during a market downturn, and to recover quickly. The [American banks](#) bring in over 30% of the bank's profits, compared to CIBC's measly 11%.

Foolish takeaway

While CIBC can look like the obvious choice with such a high dividend, investors should also be looking at stocks that can keep up dividend increases. TD is in a growth phase, whereas CIBC has remained stagnant over the last few years.

Ahead of a recession the stock has been performing poorly, with poor earnings results to match. TD, meanwhile, has been outperforming its peers, and still looking toward the future on how it can continue to expand its business.

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