Should You Add CIBC (TSX:CM) Stock to a Dividend Portfolio?

**Description**

Sometimes it's worth buying a cheap stock just because it's cheap. Of course, there's a line to be drawn here: Imagine buying everything in a store that was 10% off – you'd very quickly go bust.

But good quality matched with great value is almost always a win, which is why when you see a Big Five banker selling for peanuts it doesn't make sense to keep walking. Beaten up financials have broad appeal, even if value investing isn't your style.



## Do a big yield and a fresh U.S. outlook equal a buy?

Though commanding lower growth prospects than its Big Five peers, **CIBC** (TSX:CM)(NYSE:CM) is starting to move in the same direction.

While TD Bank has the U.S. markets covered, and Scotiabank is betting on its South American partners, with the Pacific Alliance providing growth and providing geographical diversification to Canadian banking investors, CIBC remains much more focused on the Canadian market.

However, a key acquisition has increased the possibility of greater American exposure in the future for CIBC. Having snapped up Clearly Gull, a boutique investment banker in Milwaukee, CIBC is tapping strategically into middle-market mergers business south of the border.

Still, its peers have greater exposure to the U.S. and are able to access a huge North American client base beyond Canada's borders.

This may not necessary be a good thing, however, and Canadian investors might want to side with a bank focused more squarely on our own economy. The 2008 downturn still looms large in the public consciousness, and with signs pointing toward a repeat of the market bloodbath of a decade ago, investors haven't been overly kind to banks of late.

CIBC, therefore, remains a lesser investment than say TD Bank or Scotiabank at present.

Lack of investor confidence isn't entirely misplaced, however: Having missed expectations three times in a row, CIBC is something of an outsider option right now.

Only its extreme good value and its feet planted squarely in Canada definitively make it a buy, and pundits are divided even on those fronts.

A 5.53% dividend yield is encouraging, though with a share price that is continuing to fall, yield hunters may want to sweat it out just that little bit longer.

With its next quarterly results due out August 22, new investors have the option of gambling on another miss and waiting until the stock dips again, or betting on a turnaround in fortunes by buying at today's deep value.

Trading at a 35% discount off its fair value, CIBC beats the banking industry averages across the board when it comes to market fundamentals, meaning that this is as good a time to stack shares as any.

## The bottom line

At the end of the day, CIBC is a cheap option for a general stock investor looking for exposure to Canada's Big Five.



While it's late to the game when it comes to carving itself some growth in U.S. markets, CIBC's greater exposure to our own economy could, in fact, make it a better option than some of its peers for investors wary of a recession south of the border.

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