Does This Canadian Bank Stock Have the Most Upside Potential Right Now?

Description

The potential for any stock to improve in two key areas at once, particularly in both earnings growth and market ratios, is usually indicative of a strong investment.

However, that's doubly the case for a high-quality Canadian banking stock, and today, **CIBC** (TSX:CM)(NYSE:CM) is looking ripe for the plucking. TFSA and retirement investors alike would do well to harvest this stock while it's cheap and lock in a tasty dividend yield of around 5.5%.

But why else should TSX investors start stacking shares of CIBC in their savings accounts or other long-term dividend stock portfolios?

Touching on a range of "buy signal" indicators such as value, passive income margin, and the long-term market outlook, here are a few compelling arguments that go some way toward explaining the current bullishness in this Big Five banker that's been left out in the cold for much too long.

A top stock for dividend investors who like expansion

Investors sitting on their hands while they eye the growth from the American market enjoyed by their rivals should bear in mind that CIBC has tripled its portion of U.S. earnings in the last two to three years.

Its stock has been trading consistently lower than is reasonable given its quality, and the growth potential from expansion into previously untapped markets combines with a sizeable dividend yield to make for a compelling purchase.

In terms of value, a P/E ratio of around nine times earnings shows that the stock is not only great value for money compared to its peers in the Canadian banking industry, but also usually up between 10 and 11 times earnings when compared with its own average.

This gives the stock a boost when it comes to that yield, which trounces those of the other Big Five bankers. Trading at a discount of around 20% off its own year-long high, the stock is a strategic play for value right now.

Domestic investors who sometimes miss the forest for the trees should bear in mind that some U.S. investors taking a gamble on TSX tickers regard CIBC as a pure-play stock not just for our banking sector, but also for the entirety of our economy.

This is because over two thirds of CIBC's income is drawn directly from Canadian wealth management and both commercial and personal banking.

In short, CIBC is good value for money compared not only with other Big Five bankers, but also with its own historical valuation, pays a higher dividend yield than its peers, represents a low volatility play that tracks the Canadian economy closely, and is looking at high growth from the U.S. market.

The bottom line

Still undervalued, CIBC could have more growth ahead of it than its peers, offering new investors in the financial sector the greatest upside potential of any of the Big Five bankers.

As CIBC has a ways to go before it catches up with its rivals in the U.S. market, this affords CIBC investors much higher upside plus a richer dividend yield. In short, adding CIBC stock to a long-term income portfolio is a strong, defensive play right now.

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vhetherington