Alert! This Bank Stock Is Dirt Cheap Right Now

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) stock has dropped 8.4% over the past three months as of close on August 19. Shares have only climbed 1% so far this year.

Back in April, I'd discussed why CIBC looked attractive after setting off a buy signal. This signal came in the form of its Relative Strength Index (RSI) falling below 30, a key indicator that a stock is technically oversold.

When this signal was set off again in late May, I'd suggested that investors should stand pat. Part of the reason was the uncertain situation in the Canadian housing market, and CIBC's reliance on this segment. Fortunately, the Canadian housing market has seen marked improvement on this front in the summer.

Home sales in Canada rose for the fifth month in a row in July. Prices also increased 4% from the prior year, according to the Canadian Real Estate Association (CREA). Ontario was strong once again, with regions like Guelph, Niagara, Ottawa, Hamilton-Burlington, and Oakville-Milton all posting at least 5% growth going by the House Price Index (HPI), which factors in size of the market and type of housing.

In the second quarter, CIBC reported adjusted net income of $1.35 billion compared to $1.34 billion in the prior year. Adjusted diluted earnings per share rose to $2.97 over $2.95. CIBC felt pressure, as it has looked to enhance its technology infrastructure.

The bank projected that expenses would increase by approximately 3-4% for the foreseeable future. Still, this is an expense that has been incurred by many of the top banks who have acknowledged the need to improve their tech infrastructure.

Two of CIBC's peers, **TD Bank** and **Bank of Montreal**, have seen their U.S. segments fuel earnings growth in recent quarters. This has also been true at CIBC.

Net income in its U.S. Commercial Banking and Wealth Management segment rose 24% year over year on an adjusted basis to $176 million. U.S. economic growth has remained robust in 2019. Canadian banks with sizable footprints south of the border should continue to benefit in the back half of the year.

Should you buy CIBC stock ahead of earnings?

CIBC is set to release its third-quarter 2019 results before markets open on August 22. That gives investors ample time to evaluate before Thursday.

Shares of CIBC had an RSI of 41 as of close on August 19. However, shares have dipped into technically oversold territory twice this month. The stock is trading at the low end of its 52-week range.

More enticing is its price-to-earnings ratio of 8.8, which is an extremely favourable level compared to its big banking peers. It also boasts a price-to-book value of 1.3. This should pique the interest of value investors.

If that is not enough, CIBC also has a sizable dividend for you to sink your teeth into. The stock last paid out a quarterly dividend of $1.40 per share. This represents a tasty 5.6% yield, which is also a top rate among its peers. The bank has achieved dividend growth for eight consecutive years.

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Date
2025/08/23
Date Created
2019/08/20
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