CIBC (TSX:CM) Stock Is a Buy After a Solid Third Quarter

Description

Banking should technically be one of the most defensive asset classes to invest in, given its integral role in the economy. However, this isn't necessarily the case, and in fact banking can be a rather volatile space in reality.

Investors may remember the banking sector's disappointing performance at the start of the summer, when a mix of international trade woes coincided with a rash of earnings misses. In short, the Big Five showed they couldn't always be counted on to be defensive.

However, the argument could be made that at least some of those misses could be accounted for by provisions for bad loans as banking bigwigs eyed the macroeconomic stressors on the horizon and carefully repurposed funds.

Indeed, with positive sounds coming from Bay Street, Canadian banks are once again finding favour with investors seeking safety.

The cheapest Bay Street banker is hot right now

Raising its dividend after a third-quarter that saw profits beat expectations, **CIBC** (TSX:CM)(NYSE:CM) looks like a banking stock of an altogether different stripe at the moment.

While some market observers may tip **TD Bank** as the Big Five ticker to get behind given its access to growth in the U.S. markets, or **Scotiabank** for its exposure to the Pacific Alliance, CIBC offers a handsome dividend yield with attractive market ratios.

CIBC just turned in a solid Q3, which adds to a great track record. Combined with a consistently growing dividend and very attractive market ratios, CIBC is quite possibly the best of the Bay Street bankers to add to a new or pre-existing passive income portfolio.

As with its competitor, Scotiabank, this stock can form the defensive backbone of a tax-free savings account (TFSA) or registered retirement savings plan (RRSP).

Trading below its own historic price-to-earnings multiple at prices not seen in the last three years, CIBC stock is an absolute steal right now.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) (Scotiabank), is an attractive play even during mediocre times for its unparalleled access to the financial markets of the Pacific Alliance.

More so than any other Canadian bank, Scotiabank can offer Canadian investors a way to buy into South American markets while staying invested in the domestic banking industry.

Shareholder returns have been an issue for Scotiabank over the last 10 years, as a market observer may note, with the bank trailing behind the rest of the financial powerhouses of the Big Five.

However, there are several excellent reasons to buy and hold this stock in your dividend portfolio. Indeed, an investment in Scotiabank could even form the defensive core of a new portfolio built around reliable passive income.

The bottom line

With a competitive edge at the moment, CIBC is a decently valued stock with an attractive yield. Investors eyeing the U.S. for a possible market correction may in fact want to steer clear of heavily exposed stocks such as TD Bank and bet on the Canadian economy or overlooked growth markets such as the Pacific Alliance being comprehensively served by Scotiabank.

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