
Is CIBC (TSX:CM) the Top Big Bank to Buy Now?

### Description

When it comes to choosing high-quality dividend-paying stocks, Canadians happen to be pretty lucky. Quite a few of them offer high yields with the quality that enables people to trust in these investments as a source of passive income. Canada's banking stocks have a reputation for being the most reliable in terms of high-yield dividend investments.



Given the reputation of Canada's banking stocks, **Canadian Imperial Bank of Commerce** (TSX:CM)( NYSE:CM) is a stock worth a closer look. The bank's stock lagged behind most of the other banking stocks over the past year with a sudden sell-off immediately after CIBC's Q2 2019 earnings release back in May. Trading at $101.94 at the time of writing, could CIBC be a stock worth investing in right now?

Let's find out here:

## The underdog of the Canadian banking industry

I can call CIBC nothing less than an underestimated racehorse among the Big Six Canadian banks. CBIC has had disappointing earnings results ahead of a looming recession. Some analysts have pegged CIBC as being unprepared for the coming slump in the economy.

Calling the bank unprepared is hardly a surprise. CIBC traded for $122 per share a year ago, and at the time of writing, it trades at $101.94 – a lot better than the $98.75 per share the stock was trading at late in August.

The Canadian bank relies heavily on the Canadian housing sector, and uncertainties regarding a possible crash as the interest rates increased hit the CIBC stock late in 2018. Since then, the U.S. Federal Reserve has cut interest rates, and the Bank of Canada is expecting that the next move will be toward the downside.

## Moving beyond the Canadian housing market

I believe that one of the primary reasons why CIBC lagged behind the other major Canadian bank stocks is largely due to the reliance on the Canadian real estate as a revenue stream. Other banks, such as **Toronto-Dominion** and **Bank of Montreal** have leveraged the presence the banks have in the U.S. market to fuel earning growths in recent quarters.

While CIBC is still focused primarily on the Canadian markets, the bank has expanded into the U.S. markets. CIBC's expansion and diversification efforts for the bank's revenue stream are producing results. The company spent over US$5 billion over the past two years carving out a presence in the commercial and private banking segment in the United States.

## Things are looking up for the bank

In the Canadian market, the falling fixed-rate mortgage is helping the housing market avoid a horrible crash back home. CIBC's expansion into the U.S. markets is also contributing to better performance for the bank stocks. The bank reported much better earnings for the fiscal Q3 2019, and CIBC has raised its dividend.

At the time of writing, the $101.94 price per share, and a 5.6% dividend present an excellent option for investors right now.



My opinion is that at the current price, the Canadian Imperial Bank of Commerce is undersold right now. There is a high likelihood of this bank delivering decent gains when the situation in the broader market improves.

In case an economic downturn does hit, CIBC is a high-yield dividend investment that is capitalized well enough to help investors ride the wave.

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adamothman