This Is 1 of the Best High-Yielding Stocks to Buy and Beat Low Rates

Description

Buying a stock with a high dividend yield often comes with a greater degree of risks. The stocks that pay higher returns might be facing intense competition, their balance sheet could be loaded with debt, and their managements have no idea how to produce growth that will satisfy investors.

However, you can't beat the market without taking some extra risks and invest in stocks whose values are depressed due to some short-term issues. One area of the Canadian market I often focus on for such opportunities belongs to Canadian banking stocks.

Canadian banking stocks have offered some of the best returns to long-term investors due to the strength of their businesses, their diversified operations, and the oligopolistic nature of the Canadian market.

It's confined to just five top banks that dominate all aspects of the banking business, offering quite stable dividend income.

In general, these stocks return between 40-50% of their income in dividends. If you're interested in banking stocks, the next step is to find the best opportunity available to you.

Why CIBC stock is attractive now?

In this market, I particularly like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), the nation's fourth-largest lender. Its stock has been stuck in the range trading this year.

After falling about 10% in the past one year, CIBC stock is now trading around $111.50 at writing, offering an annual yield of 5.24%.

That yield is much higher if you compare it with what you can earn on a savings account, or GICs. But there were reasons for this underperformance.

The lender's weakening earnings, its exposure to the nation's mortgage market, and the rising provisions for bad loans were some of the major negative catalysts that kept its stock under pressure.

But I believe the period of sluggish growth is over and that CIBC is set to outperform other lenders in the coming months, mainly due to strength of its U.S. unit.

In its most recent quarterly report, CIBC reported that its commercial banking and wealth management division in the U.S., which includes the **PrivateBank**, was the quarter's best-performer, with a profit jump of 6.2%.

Short-sellers have targeted CIBC in the past due to its vast exposure to the Canadian mortgage market, betting that a possible collapse in the housing market will sink the lender as well. That devastating scenario hasn't played out, however, and is losing its appeal.

After undergoing a correction, Canada's housing market has stabilized, and there is no sign of a hard landing for the market, which has been growing for the past decade. According to the data, home sales in Toronto, the nation's largest city, are rising once again.

Bottom line

Trading at $111 with an annual dividend yield of 5.24% at the time of writing, CIBC stock has a compelling appeal for investors. Its current dividend yield is one of the best among the major banks. CIBC pays a $1.44-a-share quarterly dividend with a long history of consistent growth.

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