A Cheap Dividend Stock I'm Buying for My TFSA

Description

If you missed the recent bounce in the Canadian banks, it's not too late to pick up, as the price of admission is still low and you could still catch ample upside as Canadian bank concerns fade away into year-end.

Indeed, it's been a transitory year for the big banks. We've got analyst downgrades across the board, and while the outlook is still ugly, investors will need to go against the grain before analysts change their tune if they're to lock-in the sizeable yields and deep discounts that are still available in the Canadian banking scene.

At this juncture, analysts are waiting patiently for the fourth and final quarter of bank earnings. And should they be better-than-feared as the results for **CIBC** (TSX:CM)(NYSE:CM) were in the third quarter, the discount in Canadian banks could quickly disappear as short-sellers close their positions and the banks head back toward all-time highs.

Just over a month ago, I was pounding the table on CIBC stock, urging investors to buy shares before the release of its Q3 results, highlighting the excessive pessimism and the likelihood that the bank would produce results that were better than feared.

With a low bar to pass, CIBC did just this, and now that shares have bounced 12% in a month's time, I still think there's ample value to be had for those who didn't act at the point of maximum fear.

It's tough to bet against men like Steve Eisman. But when you consider the fact that CIBC shares already fell into a bear market and the likelihood that Eisman is trying to squeeze a bit more gain from a short position that's already done extraordinarily well, it becomes more apparent that such book-talking after the fact is less useful for investors.

The shorts make media appearances to talk up their books, not to make you money. And to give them more credibility, they're more likely to appear under the media limelight *after* shares of the company they're short have already been battered.

When the tables turn, suddenly shorts stop updating investors because there's no longer anything in it for them to gain. CIBC is a prime example of a stock that's been overly beaten up by shorts. It doesn't help that CIBC is arguably the most hated bank in the Big Five after the catastrophe that ensued the Financial Crisis.

With a quickly growing U.S. business and the potential for further provision deceleration, it's looking as though CIBC stock may already have bottomed out and may be ready for a big bounce.

At the time of writing, CIBC stock still looks ridiculously undervalued with shares trading at just under nine times forward earnings.

The 5.3% yield is also considerably higher than where it stands typically, so if you're looking to make a contrarian bet on the banks, now is a great time to get in before the herd piles in after a series of analyst upgrades.

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