2 Canadian Bank Stocks I'd Buy More of in November

Description

The Canadian banks have been showing some signs of life lately after treading water for most of the year. While there plenty of sell-side analysts retain their "hold" ratings on many of the Big Six banks, I think a majority of them are worthy of picking up today if you're in the market for a big dividend for a price that won't break the bank!

At this juncture, two names stand out to me as timely bets while they remain discounted relative to historical average multiples.

CIBC

CIBC (TSX:CM)(NYSE:CM) has usually always traded at a discount to its bigger brothers, so it may be less exciting to see the name on this list. While there are good reasons why CIBC has historically traded at a lower multiple relative to its peers, I think the valuation gap, which has increased over the past two years, has become exaggerated.

CIBC isn't the most conservatively run bank out there, and with the 2007-08 collapse in shares still fresh in the memory of many investors; the stock has endured "amplified damage" amid the recent bout of macro headwinds.

Short-sellers, including Steve Eisman, have been trashing the bank under the media limelight, warning of further downside over "ill-preparedness" for the transition into the next phase of the credit cycle. Given CIBC's already overexposure to Canada's housing market, it's not a mystery as to why investors rushed to the exits following the higher provisions in the second quarter.

The stock became ridiculously cheap in a hurry, setting the stage for a sudden bounce on better-than-feared third-quarter results that ended CIBC's nasty streak of earnings misses.

At the time of writing, CIBC stock is now up over 13% from its bottom. CIBC stock is still dirt cheap at just nine times next year's expected earnings and could be due for another post-earnings bounce since the bar is still set quite low.

If you're a long-term investor, lock in the 5.2% yield and wait patiently for sell-side analysts to change their tune. It may take more than another quarter or even another year, but at today's prices, it's tough to pass on the name as a value investor.

TD Bank

If any Canadian bank were to avert an industry-wide crisis, it'd be **TD Bank** (TSX:TD)(NYSE:TD).

The bank still retains its sought-after premium traits as it did prior to the recent bout of setbacks; the only difference is that the premium is now slightly lower than where it ought to be thanks to the brokerage price wars that caused **TD Ameritrade** (a sizeable holding of TD Bank) to slash its commission to $0.

While the news was material, I thought the negative reaction in the stock was overblown. Yes, nobody wants to see profitability numbers under pressure at a time when banks as a whole are enduring more challenging times, but in the grander scheme of things, I think investors will have the time to digest the implications behind the move and discover that it may actually be for the better of TD Ameritrade over the long haul.

In a prior piece, I'd noted that the brokerage business would go "above and beyond just trade execution." With deep pockets and investments in new tech, one could argue that TD Bank is well equipped to take share in the space now that the playing field is being levelled in the brokerage scene.

With new tech like TD Clari and the future potential for automated tellers, TD Bank should be seen as a disruptor, not a disruptee. So, enjoy the stock at a slight discount before Bay Street returns to their senses.

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