Revealed: The Smart Money Is Buying This Canadian Bank Stock

Description

In times of market turmoil, investors can feel comforted by following what the so-called smart money does. These are moves made by rich investors or company insiders — folks who have more answers than we retail investors do.

Smart money can be anyone from the company's CEO or chairman to an astute investor who has posted excellent long-term returns. Heck, if you stretch the definition far enough, it can even include the best investors you know personally.

For me, however, I like to focus on what company insiders are doing. After all, these folks know their organization inside and out. They also know the competition and the sector in general. And research has shown insiders are generally pretty good at knowing when to buy.

With that in mind, let's check out how the smart money is loading up on one of Canada's beleaguered bank stocks.

What's the smart money doing?

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) has long been the cheapest of the five largest Canadian banks. Investors have been opposed to its focus on the Canadian market, preferring the international diversification of its four peers.

CIBC has attempted to mitigate this, reassuring investors its exposure to the Canadian housing market is manageable. It also made acquisitions in the United States, first buying up wealth management assets and then gobbling up Private Bancorp in 2017. But even after these moves, CIBC still only gets about 15% of its earnings from the U.S.; its competition gets around 25-35% of earnings from foreign operations.

CIBC's cheap stock price has been good news for dividend investors, who were happy to lock in a safe bank dividend while getting a nice yield. The recent selloff has only made the payout more enticing. As I type this, CIBC offers a 7.5% dividend yield. To put that into perspective, the last time CIBC yielded this much was during the 2008-09 financial crisis.

The smart money also recognizes CIBC shares are cheap and is acting accordingly. Several members of CIBC's upper management are putting their cash to work buying up stock in the open market.

CEO Victor Dodig is leading the way, purchasing nearly 50,000 shares in two separate trades last week. His average cost is right around $80 per share.

Other execs are also putting up their own cash to buy shares. Chief Financial Officer Hratch Panossian purchased some 2,700 shares. Vice President Laura Dottori-Attanasio, who is in charge of Canadian personal and business banking, purchased 3,000 shares. Jon Hountalas heads commercial banking and wealth management in Canada; he purchased just over 2,500 shares. And Christina Kramer, the head of the technology part of the bank, purchased 2,725 shares.

This all combines into serious money. These execs collectively spent almost $5 million on CIBC shares. Sure, these folks are highly paid, so they have the cash to spare. But it's also a big endorsement that these people are all buying right when the stock tanked. They know today's price action is only temporary.

The bottom line

It's obvious what the smart money thinks about CIBC shares today. These folks are bullish, and rightfully so. Shares are ridiculously cheap on a price-to-earnings and price-to-book value perspective, with both falling to the lowest levels in the last decade.

As an extra bonus: if investors load up soon enough, they can lock in a better cost basis than CIBC execs themselves got. Yes, that's right. You'll be poised to actually outperform the smart money over the long term. And remember, you'll also get paid a 7.5% dividend as you wait for shares to recover — a payout that is still around 50% of trailing earnings.

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