2 High-Yield Bank Stocks That Are Dirt Cheap

Description

In the middle of March, I'd discussed the bloodbath for bank stocks and why they looked on sale. There has been some promising movement in the broader market. However, there is still some uncertainty surrounding Canadian banks. The **BMO Equal Weight Banks Index ETF** (TSX:ZEB), which aims to track the six largest financial institutions in the country, has seen its shares fall 13% month over month.

There is concern over the broader impacts of the shutdown on Canada's banks, especially if the lockdowns stretch into June and beyond. The Canadian household debt-to-income ratio has held steady above 170%. The government is providing some support in the form of the CERB, but there will still be significant financial damage for many citizens this year.

But there are signs that the curve may be flattening in Canada and in key parts of the United States. Denmark, Austria, and other European countries have indicated that they will look to normalize conditions gradually in the weeks to come. Today, I want to look at two bank stocks that boast nice value while also providing top shelf income. Let's dive in.

Two bank stocks with hefty dividends

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is the fifth largest of the top Canadian bank stocks. It shares have dropped 14% month over month as of close on April 7. The stock was only up marginally week over week at the time of this writing.

Investors will have to wait until late May to get a glimpse of CIBC's second-quarter results. CIBC invested in its real estate portfolio to start 2020 with its sights on becoming a leader in this area once again. However, the COVID-19 pandemic and the economic chaos that has followed has seemingly derailed those ambitions for now.

CIBC last increased its quarterly dividend payment to $1.46 per share. Right now, this represents a tasty 7% yield. For investors chasing income, CIBC is still one of the best bank stocks you can buy.

Scotiabank (TSX:BNS)(NYSE:BNS) has seen its stock drop 15% over the past month as of close on April 7. It is sometimes referred to as "the international bank," which makes it a unique pick among Canada's top bank stocks. The global outbreak means that certain economies may gear up at a different time. This week, for example, China ended the +70-day lockdown in Wuhan, where many conclude the COVID-19 outbreak originated from.

Its second-quarter 2020 results are also expected to be released late next month. Recently, Scotiabank chief economist Brian Porter said that the bank was more than strong enough to weather the pandemic and its impacts. He pointed out that Latin America, where Scotiabank boasts a large footprint, has governments with low debt-to-GDP ratios going into this crisis. This grants these states more leeway to respond.

The bank last paid out a quarterly dividend of $0.90 per share. This represents a strong 6.5% yield. Scotiabank and CIBC both possess immaculate balance sheets and are more than able to make it through this crisis on solid footing. This is why these bank stocks are worth targeting right now.

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