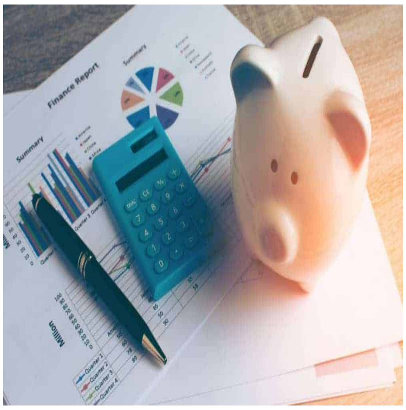

BUY ALERT: 2 Dirt-Cheap Bank Stocks Yielding up to 6.2%

Description

The **S&P/TSX Composite Index** rose 205 points on Friday, June 12. Investors went into the weekend on the heels of this rebound, but anxiety has returned to the markets. There are renewed fears of a second wave of COVID-19, and the economic consequences of the lockdowns have continued to mount. Today, I want to look at two bank stocks that look discounted in this environment.

More market volatility? Target bank stocks

Canadian banks released their second-quarter earnings in late May. The results were grim, as expected, but the market reaction was forgiving. Bank stocks managed to gain momentum into June. These profit machines have proven their ability to weather tough economic headwinds in previous crises. There is reason for optimism, as Canadian provinces move forward with an economic reopening.

Why BMO still looks good after Q2 earnings

Bank of Montreal (TSX:BMO)(NYSE:BMO) is the first bank stock I want to look at today. Shares of the Montreal-based bank have dropped 23% in 2020 as of close on June 12. However, the stock is up 24% over the past three months. Earlier this month, I'd explained why BMO looked like a solid buy after its second-quarter earnings release.

In the second quarter, BMO reported adjusted net income of $715 million and $1.04 per share compared to $1.52 billion, or $2.30 per share, in the prior year. Provision for credit losses ballooned to $1.11 billion over $176 million in Q2 2019. Bank of Montreal maintained its quarterly dividend of $1.06 per share, which represents a strong 5.7% yield.

The bank stock last possessed a favourable price-to-earnings (P/E) ratio of 9.9 and a price-to-book (P/B) value of 0.9. Like its peers, Bank of Montreal also boasts an excellent balance sheet. Shares of BMO look undervalued in the middle of June.

One bank stock with a super dividend

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is the fifth-largest of the Big Six Canadian banks. Its shares have fallen 11% in 2020 so far. The stock has surged 34% over the past three months. CIBC released its second-quarter 2020 results on May 28.

Adjusted net income dropped to $441 million, or $0.94 per share, over $1.35 billion, or $2.97 per share, in the prior year. Provision for credit losses shot up to $1.41 billion — up a staggering 454% from Q2 2019. CIBC had planned to make an aggressive push to bolster its mortgage portfolio in 2020, but now it is forced to play defence. This does not mean that the bank stock is not a worthy stash in your portfolio.

CIBC still possesses an immaculate balance sheet, which means it is well equipped to make it through this crisis. Moreover, the bank declared a quarterly dividend of $1.46 for the quarter ending July 31, 2020. This represents a tasty 6.2% yield. Shares of CIBC currently have a P/E ratio of 10 and a P/B value of 1.1. This puts CIBC stock in favourable value territory.

CATEGORY

1. Bank Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/24
Date Created
2020/06/15
Author
aocallaghan