2 Bank Stocks to Buy That Are Yielding Over 6%

Description

Here are two bank stocks to buy that are still solid stocks today, despite the pandemic crisis that we are going through. Banks are the backbone of our economy, and they will take centre stage in the eventual recovery.

The last few months have been difficult ones for many investors. Even the traditionally “safe” bank stocks have taken a hit. But this isn’t all bad news. The bright side of this is the fact that investors can buy certain bank stocks at a bargain today. And with the unemployment numbers coming in better than expected last week, we can see some glimmers of hope.

Let’s look at two bank stocks to buy that are yielding over 6%.

Bank stock to buy: Canadian Imperial Bank of Commerce

As the Canadian bank with the highest exposure to the Canadian consumer and to personal/mortgage lending, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) has its risks. But compensating for these risks, Canadian Imperial Bank of Commerce stock is paying investors a juicy 6.35% dividend yield.

The stock has fallen 15% so far in 2020. While it has recovered from its March lows, there may be more short-term downside if there is a setback in the fight to control the pandemic. In the meantime, Canada is performing exceptionally well in its efforts. And the CIBC stock price and bank stocks in general are reflecting this.

In its latest quarterly report, CIBC reported rising provisions for credit losses. This is expected to continue to be an issue. The economic fallout from the pandemic is not over. Consumers have reigned in their spending, and the government has been giving aid to the many that have lost their jobs.

These difficulties notwithstanding, long-term investors can feel confident buying CIBC stock today. Its dividend yield of 6.35% is a very generous one that will support shareholders' financial wealth plan. CIBC will report its third-quarter results at the end of August.

Bank stock to buy: Bank of Nova Scotia

As Canada's most international bank, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), is one of the riskier Canadian bank stocks to buy. While business in less-developed countries offers more growth (upside), it also has greater risk (downside).

This being said, Bank of Nova Scotia is also compensating investors for taking on this risk. Its 6.41% dividend yield will keep investors happy, as they accumulate healthy dividend income. Bank of Nova Scotia's stock price has fallen a shocking 23% so far this year, and this has driven its dividend yield higher. It has also given investors the opportunity to buy into this top bank stock at cheaper valuations.

The future remains precarious. 74% of the bank's international banking revenue is from Latin America. Countries in Latin America were already vulnerable before the coronavirus. Today, they are even more so.

But most Canadian banks are very favourably capitalized, as they have taken on increasingly conservative practices over the last 10 years. This means that over the long term, bank stocks will prove to be solid investments once again.

Foolish bottom line

Rising provisions for credit losses are certainly a worrying trend. But the bank stocks to buy that are discussed in this article are poised to make their shareholders plenty of money. They offer investors super-high dividend yields as well as underlying strength.

I would take the opportunity to add these bank stocks on weakness.

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