



This Bank Stock With a 6.2% Yield Is a Screaming Buy

Description

In late February, I'd looked at some of [Canada's top banks](#) just as the market had started its sharp correction. This seems like an innocent time in retrospect. The thought of a months-long lockdown in response to the COVID-19 outbreak would have appeared far-fetched.

While Canada has come out better than its southern neighbour thus far, the complications caused by the pandemic are still devastating. Canadian bank stocks have still not recovered from their losses in the late winter and early spring.

Bank stocks: Should you be fearful?

The **BMO Equal Weight Banks ETF** ([TSX:ZEB](#)) has climbed 13% over the past three months as of close on July 24. However, the Canadian bank-focused ETF is still down 15% so far this year. There is still anxiety surrounding bank stocks given the uncertain state of the Canadian economy.

Jobless numbers are still high, and many Canadians are reliant on new government programs that were launched in response to the pandemic.

Provisions for credit losses surged at Canada's top banks in the second quarter. Top financial institutions predictably took their lumps. However, the picture was not as grim as some were expecting, stirring momentum for bank stocks following second-quarter earnings season.

Today I want to look at one of my favourite stocks in this space that boasts an attractive dividend.

Why I'm bullish on CIBC right now

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) is the fifth-largest of the Big Six Canadian banks. Shares of this bank stock have dropped 10% in 2020 so far. However, the stock has increased 20% over the past three months. Back in June, I'd suggested that investors jump on [CIBC at a discounted price](#).

CIBC released its second-quarter 2020 results on May 28. Provisions for credit losses soared to \$1.41 billion – up 454% from the prior year. Investors can expect to see the bank's third quarter results in August.

CIBC came into 2020 aiming to recapture some of its old glory in the mortgage space. Housing activity slowed to a crawl during the spring, but snapped back nicely in June. There should be a better indication of the strides the bank has made with its mortgage division when we get a glimpse of its Q3 2020 earnings.

Evaluating this bank stock today

Shares of CIBC last possessed a price-to-earnings ratio of 10 and a price-to-book value of 1.1, putting the stock in attractive value territory in late July. Similarly its peers, CIBC also boasts a flawless balance sheet. This has helped carry it through this tumultuous period. Moreover, the bank managed to maintain its strong income offering.

CIBC last paid out a quarterly dividend of \$1.46 per share. This represents a tasty 6.2% yield. The bank stock has delivered dividend growth for nine consecutive years. CIBC's value coupled with its high dividend and strong track record make it a suitable target in late July.

CATEGORY

1. Bank Stocks

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