Bank Earnings: Here's the Best Bank for Your Buck

Description

There are a lot of articles out there shouting the potential of huge gains on risky stocks. Heck, I've even mentioned a few. But when it comes to bank stocks, it doesn't get much safer.

Look at the last recession back in 2008 to 2009. Canadians banks were back at pre-crash prices within a year. Each bank was able to put aside the cash necessary to rebound as quickly as possible. When it comes to putting your money somewhere safe, banks are simply the best option for long-term holds.

But that doesn't mean you have an easy decision. Of the Big Six banks, which is the best bet during today's downturn? My choice today: **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM).

First, the bad

It's not that CIBC is the *perfect* choice. Yet the bank has huge potential for investors looking to buy and hold for decades. In the next few years, CIBC may actually struggle compared to its peers. The bank is the most invested in the Canadian economy and sits solidly in the third position of the Big Six banks by market capitalization. With the Canadian economy continuing to struggle during the pandemic, and the housing crisis only in the beginning phases, CIBC should have a pretty hard time.

Meanwhile, CIBC has a lot of growth it should be doing compared to its peers. As I said, it's a solidly Canadian bank. That means it really doesn't have the expansion into other countries. This expansion would provide some much-needed diversification for CIBC. So, while other banks might bounce back quickly, CIBC could trail a little further back.

Then why buy?

Two reasons: first, while it hasn't expanded yet, that doesn't mean it won't. If the bank decides to really expand throughout the world on a serious basis, that could leave the potential for enormous growth. And quickly. The bank could easily look at the success and failures of its peers for inspiration and expand around the world.

The second reason is the most obvious: its dividend. The bank offers the highest dividend of all the Big Six banks at $5.84 per share. That gives it a dividend yield of 6.01% as of writing. So, while you might have to wait for shares to really increase, you won't have to wait for a super strong dividend yield.

Bottom line

Patience is a virtue in today's investing environment. If you're investing in CIBC, that couldn't be more true. Luckily, by investing in this company you'll receive a stable and strong dividend while you wait for a rebound. Shares are still down 19% as of writing, with the potential of another drop during the fall. It could also drop with earnings right around the corner on August 27.

I would add CIBC to your watch list and bank on a price that you're willing to buy up in bulk. For my money, I would guess another drop of around 15% to 20% in the next while, with another COVID-19 wave potentially see shares drop, and earnings not seeing too much movement. That could easily turn a $20,000 investment into $29,670 to reach pre-crash prices, with dividends of $1,507 per year.

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1. Editor's Choice

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