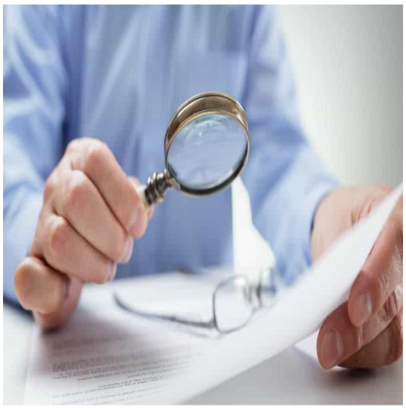

TD Stock vs. CIBC Stock: Which Is a Better Buy Today?

Description

The stock prices of **TD** (TSX:TD)(NYSE:TD) and **CIBC** (TSX:CM)(NYSE:CM) rebounded nicely off the March low over the past few months.

The big Canadian banks recently reported fiscal Q2 2020 results that cover the three months ended July 31. The numbers give investors a view on how CIBC and TD are holding up during the pandemic.

Let's take a look at TD and CIBC to see which Canadian bank stock might be a top pick right now for a TFSA or RRSP portfolio.

TD

TD is Canada's second-largest bank by market capitalization. The bank is known for its strong retail banking operations in both Canada and the United States.

In fact, TD operates more branches south of the border than in Canada.

Fiscal Q3 revenue came in at $10.67 billion compared to $10.5 billion in the same period last year. TD set aside $2.1 billion for potential credit losses in the quarter. This is up from $655 million in Q3 2019, reflecting the ongoing impact of the pandemic on its customers.

Provisions for credit losses (PCL) impact reported profits but are not actual losses. Actual defaults on the loans might end up being higher or lower, depending on how quickly the economy and the job market recover.

Despite the large PCL, TD still generated adjusted net income of $2.37 billion in the quarter. The bank finished Q3 with a CET1 ratio of 12.5%, so TD remains well capitalized to ride out the downturn.

At the time of writing, the stock trades near $65 per share. That's roughly 31% above the 12-month low and about 17% under the 52-week high.

The shares trade just under 12 times expected earnings over the next year.

TD’s dividend provides a 4.9% yield.

CIBC

CIBC is Canada’s number five bank based on market capitalization. It is roughly 40% the size of TD based on that metric.

CIBC often trades at a discount to its larger peers. This might be due to the bank’s large relative exposure to the Canadian residential housing market. CIBC finished fiscal Q3 2020 with about $227 billion in mortgage loans and home equity lines of credit on the books. TD’s total was about $295 billion.

The banks all provided mortgage deferrals for up to six months for customers impacted by the pandemic. Many of those deferrals will start to expire in the next couple of months, and that could have an impact on loan losses if people are not back to work.

This might be why CIBC stock trades at 10.5 times expected earnings over the next year. The market could be discounting the shares based on higher perceived risk than at TD.

CIBC reported fiscal Q3 2020 revenue of $4.7 billion, down just 1% from the same quarter last year. PCL rose 80% over Q3 2019 to $525 million. Adjusted net income for the quarter came in at $1.24 billion.

CIBC currently trades close to $104 per share. This is roughly 54% above the 12-month low and just 10% below the 52-week high.

CIBC also has a strong capital position with a CET1 ratio of 11.8%. The bank’s dividend provides a 5.6% yield.

Is TD or CIBC a better buy today?

Given the ongoing uncertainty and the large rallies off the March lows, these stocks are not on sale today. In fact, investors might see better entry points in the next six months if the economic rebound falters.

However, TD and CIBC are both positioned well to ride out the pandemic. The dividends should be safe and the share prices appear reasonable, assuming forward earnings estimates are on target.

If you can handle a bit of extra volatility, CIBC offers a better yield and likely more upside in the event the economic recovery occurs faster than expected.

Otherwise, TD should be a solid buy-and-forget pick to simply stick in the TFSA or RRSP for the next 20 years.

CATEGORY

1. Bank Stocks

2. Coronavirus
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Coronavirus
3. Investing

Date
2025/08/19
Date Created
2020/09/04
Author
aswalker