BMO (TSX:BMO) and CIBC (TSX:CM) Both Slashed Staff in 2020

### Description

In 2019, a lot of people were doubtful whether 2020 would the year of the recession or not. U.S.-China trade tension and the Saudi-Russia oil war were two of the hottest issues. Canada's housing bubble was also considered one of the "indicators" of an upcoming recession.

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But then the pandemic came. What it did to the economy (and is still doing) is far more destructive than what global trade tensions or even a market flooded with cheap oil would have done. The former recession markers would have caused an abundance (or imbalance) of supply, whereas the pandemic has hit the demand.

Many small-cap businesses, especially in the worst-hit industries, have gone bankrupt. Large-cap businesses had to take strong measures to make up for lost revenue. One of these "measures" is restructuring, which would mean many more people losing their jobs. Two of these large-cap businesses are **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM).

## The fourth-largest bank

With a market cap of $50.8 billion, the Bank of Montreal is currently the fourth-largest among the Big Five. The bank had already announced a major restructuring in December (one of the largest in the banking industry in the last 15 years), which would result in thousands of job cuts. The plans have been delayed the pandemic, but the staff has already been reduced by 2.7% of what it was in January.

The stock hasn't been able to gain upward momentum for long ever since the crash. It's still trading at a price that's over 22% down from its pre-pandemic valuation. With a price-to-earnings ratio of 11.4 and a price-to-book ratio of exactly one, the stock isn't overly underpriced. The third-quarter net income is a significant step up from last quarter, and EPS is also improving.

The balance sheet is in good shape, but when things seem to be getting good for the bank, the valuation is slowly but steadily sinking. One good reason to invest in it would be its 5.3% yield.

## Smallest of the Big Five

CIBC currently has a market cap of $45 billion. Valuation-wise, the company is doing much better than BMO, and it's just down about 8% from its pre-pandemic share price. It's the result of about 50% growth since the crash. But the good news is that the company is still offering a juicy 5.7% yield.

It's a bit undervalued, and the recent trading momentum is heading towards the oversold territory. The bank almost tripled its second-quarter net income in the third quarter. The balance sheet is in as good a shape as BMO's is.

It also finalized the sales of its FirstCaribbean International Bank, which is likely to improve its current liquidity position and sits well with its restructuring and "simplification" plans.

## Foolish takeaway

Out of the two, CIBC currently seems like a better bet. It's offering a higher yield, and the dividend-growth rate of both banks are similar. It also recovered faster than BMO, which is still struggling with its share price. Both are pursuing restructuring and might resort to a more aggressive shift towards online banking in the future, which might mean less operational costs.

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