



This Underrated Canadian Bank Could Outperform in 2021

Description

The **TSX Index** may look pretty expensive after its recent run past all-time highs. While there are a handful of sell-side analysts and money managers worried about a near-term [pullback](#), I wouldn't advise Canadian investors to attempt to time the markets, as nobody knows with any degree of accuracy when the markets will plunge or how bad it will be.

If you're a self-guided investor who can pick your spots carefully, then like Warren Buffett, you too can [achieve solid results over time](#), with market corrections, crashes, and pullbacks that will hit all investors eventually.

Although momentum chasing and neglecting value have been a formula for success in 2020, investors should take a step back and remember that it always pays dividends over the long-term to consider the price you'll pay for a given asset. Sure, some may justify valuations at the higher end of the spectrum, but with so many unloved value stocks that are still trading in the depths, I'd argue that there's a strong case for the return of value investing in 2021.

Value investing with one of Canada's smaller regional banks

One of my top **TSX** value stocks for the year is **Canadian Western Bank** ([TSX:CWB](#)), a regional player I believe has more upside than most of its bigger brothers in the Big Six Canadian banking scene, as the Canadian economy recovers in conjunction with the price of oil.

At the time of writing, shares of Canadian Western Bank trade at one times its book value, which I think is far too cheap given the recovery trajectory on the horizon. Just because the bank is more regional than many of its bigger brothers does not mean it's necessarily a risky bank that could cause one to lose their shirt.

In fact, Canadian Western Bank is a remarkably high-quality bank with a consistent track record of dividend hikes and decent loan growth, with minimal credit losses over the years. COVID-19, low interest rates, and other headwinds common to the Canadian banks will continue to weigh on Canadian Western in the new year.

The bank faces further expenses in the new year, but as we gradually return to normalcy, I do see CWB stock moving higher on the back of robust earnings growth. Management has done a solid job of mitigating recent margin pressures and will be in a spot to come roaring back alongside its peers once it's time.

A top value bet for a banking rebound?

Fellow Motley Fool contributor Ambrose O'Callaghan views Canadian Western Bank as a top regional bank that's on sale, praising the name for its attractive valuation and long dividend history. While shares are moderately more expensive after CWB stock's recent rally, there's plenty of room to run from here, as Canadians rotate back into the most bruised of value names.

Most analysts have CWB shares as a "hold," but one of the more bullish analysts, Douglas Young of Desjardins, thinks that the stock is worth \$35, the highest CWB price target on the Street. If Young's price target is reached this year, CWB could have 17% worth of total returns from today's levels.

CATEGORY

1. Bank Stocks
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1. TSX:CWB (Canadian Western Bank)

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