Top RRSP Stock for March 2021: CIBC

Description

March is the perfect time to think about adding to an RRSP to their portfolios to maximize long-term growth while generating tax savings. Here's why **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) is the perfect such stock today. I think you simply can't go wrong with this stock.

Here's why.

Profits soar as provisions for loan losses fall

CIBC has been a top earner among the big Canadian banks, achieving significant growth in earnings during Q1 2021. This is primarily due to a significant decrease in provisions for non-performing loans, customer bankruptcies, as well as double-digit returns in some of the key units.

CIBC's net earnings reached the $1.63 billion mark for the three-month period ending January 31, 2021, representing a year-over-year (YOY) increase of approximately 34%. Moreover, CIBC EPS clocked $3.58, surpassing analysts' expectations by a solid $1.07.

In the same quarter, provision for loan losses for CIBC's corporate and personal banking segment fell to $54 million. As a result, there was a 13% YOY increase in profits encompassing $652 million. CIBC also provided excellent performance in its capital market segment that delivered a 30% YOY increase to approximately $493 million.

It's a perfect match: Decent valuation and big dividends

I think Canadian bank stocks performed pretty well overall in the past year. But CIBC shares undoubtedly stand out from the rest. With a return of 3.9%, inclusive of dividends, this stock is clearly a step ahead of its peers. In fact, during the same timeframe, its Big Six peers have fallen behind with a return of -1.5%.

CIBC's returns include the catastrophic market slumps during the months of February and March in

2020. Since the March downturn, its market price increased by 70% — a fantastic comeback that overhauled its peers' average return of 66%.

Moreover, the dividend yield of CIBC is 5.1%, which is higher than the average dividend yield of the other five leading Canadian banks.

Bottom line

Currently, CIBC's consensus forward P/E is only 9.7, despite its strong performance. This has typically been the case for CIBC relative to its peers. However, I think banks could see a large-scale revaluation upward if bond yields continue to rise. Improving net interest margins could provide the jet fuel these stocks need to take off.

Additionally, I think the profitability of Canadian banks will rise considerably this year on aforementioned catalysts. As more loan-loss provisions are removed, CIBC will look much more attractive in the coming quarters.

Indeed, now is the perfect time for investors to take a position in this stock, given the ample room for CIBC's valuation to improve.

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