# 1 Catalyst That Could Take This Top TSX Bank on a Nice Ride in 2021

### Description

Banks have been viewed as key pandemic reopening plays of late. And I tend to agree with this thesis.

As the economy reopens, there's room for optimism among investors concerned with credit quality and slower growth. Accordingly, banks that have been beaten up as a result of the pandemic are starting to look very cheap.



In the Canadian banking space, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) is a more economically sensitive, domestic name to consider in this regard. Here's why I think investors that are optimistic on an economic turnaround may want to consider this top Canadian bank today.

## IMF upgrades Canada's growth forecast

Given the outsized size of CIBC's Canadian lending portfolio, the large Canadian bank is more tethered to the strength of the Canadian economy than its peers. That's neither good nor bad on its own.

Indeed, if the Canadian economy takes off, it's a good thing. A recent report from the IMF, the "World Economic Outlook," suggests this might be the case.

This report indicates Canada's economy is projected to grow by 5% this year. Indeed, this represents a dramatic increase over previous estimates. This is also much higher than the Bank of Canada's recent projection. Such growth predictions could play into CIBC's growth story in a very positive way, if they materialize.

Altogether, the IMF predicts that global economic output is likely to recover 6% this year and a solid 4.4% in 2022. However, it has warned that there'll be a great deal of uncertainty in the near term considering the spread of new COVID-19 variants. Furthermore, one also needs to note that vaccines are not being evenly distributed across the country as of yet.

These projections appear to be a big catalyst for CIBC shares. CIBC has been a top performer among the Canadian banking stocks.

## CIBC’s exposure to housing markets indicates ample room for optimism

It is believed that Canadian Imperial Bank of Commerce has the most exposure to Canadian housing markets. The Canadian Mortgage and Housing Corporation had previously predicted that house prices would plunge 9-18%. However, the projections didn’t turn out to be accurate; instead, home prices have surged due to record-low mortgage rates resulting from the pandemic.

There’s certainly room to be optimistic on the state of the Canadian housing market right now. These catalysts remain strong, and until we see interest rates rise or international money regulated coming into the country, the situation is likely to persist.

Accordingly, CIBC’s leverage to Canadian housing is turning out to be a source of strength right now rather than a drag on earnings. This is very bullish for CIBC shareholders.

## Bottom line



As investors continue their search for the best reopening plays, CIBC is looking like a decent option right now.

The Canadian bank still offers investors a juicy yield of 4.7% at the time of writing. Indeed, for income investors, that’s a pretty good bargain. For long-term investors willing to bet on Canadian strength, this ought to be a top pick today.

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