



## Canadian Western Bank Gets Upgraded on Strong Outlook

### Description

As inflation and COVID-19 restrictions continue to impact the stock market, more investors are gravitating towards bank stocks. Indeed, in this rising interest environment, I think financial plays will continue to be among the best-performing in the market. In this context, **Canadian Western Bank** ([TSX:CWB](#)) could be a [great option](#).

Here's why I think this particular bank stock could prove to be an interesting pick for long-term investors right now.

### Rating upgrade highlights shift in sentiment

There are a number of reasons investors watch what analysts say about given stocks. Indeed, for smaller-cap plays in a given sector, these ratings are perhaps more important than for larger, more established names.

In the case of Canadian Western Bank, the company's recent upgrade by analysts to "sector outperform" suggests this company is moving in the right direction. Indeed, looking at this stock's price action of late, we can see this is a confirmation of what investors are already pricing in.

This stock is trading near its 52-week high, as investors pile into financials plays. Smaller-cap options like Canadian Western Bank are outperforming. And I tend to agree with the analysts on this one.

There's reason to focus on the smaller, more regional banks right now for those bullish on this current environment. After all, these lenders are more heavily exposed to the bullish catalysts taking this sector higher. For those optimistic about the state of the yield curve from here, Canadian Western Bank is a great way to play the financials space.

Now, analysts tend to make their ratings based on backwards-looking data. Accordingly, one could argue much of this move is already priced in today. That said, looking forward, there are various reasons why investors may be keen on putting some money to work in stocks like Canadian Western bank.

## Bottom line

Investors ought to be reminded that the upside potential of Canadian Western Bank comes as a result of this company's outsized leverage to regional growth in Canada. Accordingly, this is a higher-risk, higher-reward option for investors today.

In this current environment, I expect most banks to do well. And Canadian Western Bank is no exception.

However, as we've seen in the past, things can change. Investors need to remember to hold their stocks in a well-diversified portfolio. Too much exposure to any given singular catalyst isn't good. Accordingly, for those with tonnes of interest rate exposure, I'd recommend balancing out this position with other non-cyclical plays today.

### CATEGORY

1. Bank Stocks
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### TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)

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