



1 Small Canadian Bank Stock Providing Big Returns

Description

The Big Six Canadian banks have been on a roll of late. Indeed, the financial sector has recovered nicely since the pits of the pandemic. However, those looking for a small Canadian bank stock that has outperformed many of its large-cap peers may want to consider **Canadian Western Bank** ([TSX:CWB](#)).

Indeed, as a regional player in the Canadian banking system, Canadian Western Bank is often viewed as a higher-risk, higher-reward play for those looking at financial stocks. The company's impressive results (a return of 33% over the past year) speaks for itself. However, this is a bank stock carrying significantly higher risk. Accordingly, some investors may choose to stick with quality right now.

That makes sense.

That said, let's look at why Canadian Western Bank has outperformed, and what the future may hold for this regional bank stock.

Analysts are bullish on this small Canadian bank stock

Indeed, sentiment has done a full 180 in the banking sector. Companies like Canadian Western Bank used to be untouchable for various reasons. Like its name suggests, Canadian Western Bank has heavy exposure to oil-rich Western Canada. Accordingly, with the energy sector in turmoil and concerns around loan quality in early 2020 abounding, this is not a stock that performed well at all.

How the tides have turned. With the monetary stimulus we've seen, CWB stock has performed better than its peers. This is a company with more to gain than the larger players from the economic recovery. Accordingly, those seeking a pandemic reopening play in the banking sector have gone to such high-leverage plays.

It appears analysts agree. The sentiment among the analysts covering Canadian Western Bank is generally bullish. Many point to the successful turnaround effort over the past five years that has resulted in a strong transformational change for this bank. Canadian Western Bank has improved its mix of borrowers and grown its loan volumes. This was done at a rather scary time in the sector, but

shareholders are reaping the benefits today.

Accordingly, higher growth expectations have resulted in a number of upgrades of late. I think more in the way of bullish sentiment is likely, at least over the near term. Again, risks exist with this stock, and those are highlighted by analysts as well. But in terms of bang for one's buck, this Canadian bank stock sure provides a lot to like right now.

Bottom line

Canadian Western Bank has shown strength both on the capital appreciation side as well as dividend stability of late. The company's [meaningful yield of 3.2%](#) is one that was in jeopardy not that long ago. Indeed, the fact that this bank has weathered the economic storm well is a bullish sign for those considering this growth play in the banking sector.

I'm of the view that Canadian Western Bank could provide more in the way of [dividend increases](#) on the horizon. Accordingly, I look at this stock as a higher-risk play in the banking sector with more near-to medium-term upside. For those looking to take a bit more risk these days, CWB stock is an intriguing pick. That said, I wouldn't put all my eggs in this basket right now.

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Date

2025/07/03

Date Created

2021/09/24

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