



2 Bank Stocks to Buy if Mortgages Skyrocket

Description

January 2022 saw inflation rates high a three-decade high of 5.1%. The Bank of Canada (BoC) finally announced the long-awaited [interest rate hikes](#) on March 2, 2022. Rising interest rates come in handy in gradually bringing inflation rates down. The interest rate hike earlier this month was just one of a series of incremental increases in BoC's schedule.

BoC said interest rates would be on a rising path, and the scheduled dates for interest rate announcements are as follows:

- March 2
- April 13
- June 1
- July 13
- September 7
- October 26
- December 7

Inflationary environments and rising interest rates are factors that typically result in investors moving away from [growth stocks](#). Rising living costs result in investors fleeing risk and investing in reliable and stable assets. Canadian bank stocks are some of the most resilient income-generating assets that already boast excellent long-term growth potential.

Mortgage rates are expected to rise due to rising interest rates, which could inject growth for financial institutions with significant exposure to the housing market. Today, I will discuss two bank stocks you could consider adding to your portfolio to capitalize on the development.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) is a \$71.40 billion market capitalization Canadian bank and one of the Big Six. While it might not be the biggest financial institution among its peers, it offers investors the most significant exposure to the housing market through its mortgage

loans.

The bank's heavy reliance on the housing market has resulted in issues for it in the past, but it might offer a boost to its performance on the stock market amid rising interest rates. Many investors remain bullish on its growth prospects as interest rates rise. Coupled with reduced loan-loss provisions, the bank could offer outsized shareholder returns in the coming years.

At writing, CIBC stock trades for \$159.26 per share, and it boasts a juicy 4.04% dividend yield.

Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is a \$177.84 billion market capitalization Canadian bank and another one of the Big Six. Headquartered in Toronto, TD Bank was one of the two financial institutions that did not waste time in announcing a rate hike after the BoC increased its benchmark rates. TD Bank boasts a strong balance sheet, and it is diversifying its financial services business.

TD Bank also has significant exposure to the Canadian housing market. Reduced loan-loss provisions have already boosted its financial performance. The Canadian bank could be well positioned to deliver stellar shareholder returns, as its profit margins increase due to rising interest rates.

At writing, TD Bank stock trades for \$98.36 per share, and it boasts a juicy 3.62% dividend yield.

Foolish takeaway

Are you are worried about deteriorating buying power due to rising mortgage rates for a home you want to live in? In that case, now might be the right time to get a mortgage pre-approval and secure mortgages at today's rates to potentially leverage lower rates.

Suppose that you are thinking of buying a house as an investment property and taking out a mortgage for that purpose. In that case, it might be better to doll out the cash outlay in more liquid investments that can offer you stellar shareholder returns due to rising mortgage rates.

CIBC stock and TD Bank stock are two [banking stocks](#) that could benefit from the development and could be ideal investments for this purpose.

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2. Investing

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Author

adamothonman

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