2 Bank Stocks With Tremendous Dividends

Description

TSX stocks have been pushing lower lately due to the significant amount of uncertainty. Rising interest rates and future hikes heighten investors' anxiety. But long-term investors, in particular, worry about its effect on income streams.

Fortunately for Canadians, the banking sector remains a bedrock of stability in today's challenging times. Big bank stocks are blue-chip investments that can overcome market volatility and help you achieve long-term financial objectives.

If the dividend yield is the primary consideration, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) are the most attractive options. The 4.85% and 4.60% dividends are tops in the banking industry.

Moreover, the payouts should be sustainable for decades, evidenced by their sterling dividend track records. BNS has been paying dividends for 190 years, while CIBC's record is approaching 155 years. Either one can be your anchor stock to ensure a solid portfolio base going forward.

Competitive scale

Besides its more than a century of consistent dividend payments, BNS has increased its yield yearly in the last 11 years. Its total return in 49.43 years is 191,633.35% (16.52% CAGR). Since the stock trades at a slight discount (-7.31% year to date), the share price of $82.07 is a good entry point.

With its $99.34 billion market capitalization, BNS is Canada's third-largest bank. Because of its diversified operations and presence in high-quality, core markets in the Americas, the bank boasts a competitive scale. In Q1 fiscal 2022 (quarter ended January 31, 2022), net income increased 14.2% to $2.74 billion versus Q1 fiscal 2021.

Its president and CEO Brian Porter said, "2022 has started well reflecting the full earnings power of the Bank, with very strong operating results in all our four business lines." While loan and fee income growth in Q2 fiscal 2022 might not be as strong as in the preceding quarter, it shouldn't harm dividends. The payout ratio is less than 50%.

Winning strategy

CIBC may be the fifth-largest Canadian lender, but this bank stock is also for keeps. This $63 billion well-managed bank can keep pace with larger peers because of its wide global network and the broad range of portfolio. In Q1 fiscal 2022, net income rose 30% to $1.87 billion from Q4 fiscal 2021.

Its president and CEO Victor Dodig said, “CIBC’s strategy of investing in its own growth has led to increased revenue and earnings from loans, fees, and capital markets in the first quarter.” He noted that revenue growth outpaced rising expenses. The said expenses are investments in technology and other client-focused investments to grow market share.

Dodig added, “We have invested significant resources to enhance our banking capabilities, to grow market share, and to streamline our cost base.” CIBC’s latest strategic investment is in Pollinate. The merchant-acquiring startup provides a cloud-based platform that allows banks to offer a one-stop shop for small- and medium-sized enterprises.

The bank stock trades at $139.82 per share, and market analysts’ 12-month average price target is $173.89 (+24%).

Best value

BNS and CIBC are time-tested investments and offer the best value for your money. Their share prices could fall if a severe market correction comes next. However, both stocks will eventually recover, as they have in past downturns.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Bank Stocks
2. Investing

Date
2025/08/25
Date Created
2022/05/09
Author
cliew