This High-Yield Dividend Stock Could Be One to Hold Forever

Description

Are you looking for a high-yield dividend stock that you can buy and hold forever?

If so, it pays to look into bank stocks. This year, energy is the high-dividend sector that's in favour, because oil prices have risen a lot. In a year where the broader stock market has gone down, TSX energy stocks have risen 58%. That's a truly massive amount of outperformance.

However, the oil trade might be getting long in the tooth. Oil prices have stabilized near $90; they are no longer near the $120 level that was observed in June. Oil companies are very profitable with oil prices where they are now, but if oil remains stable, then there will be no more quick, life-changing rallies. The returns from here on will be slow and steady.

By contrast, we have banks. These are out of favour, yet their fundamentals are very good. Banks are down for the year, yet many of them are growing their net interest income rapidly. "Net interest income" means loan income minus deposit interest. **Bank of America** grew its net interest income 24% in its most recent quarter. **Toronto-Dominion Bank** even had positive profit growth. Those are both great companies, but in this article, I'll be talking about a stock with a much higher dividend yield.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM) is a Canadian bank stock that has a staggering 5.7% yield at today's prices. Yields that high are often suspicious, as they tend to come from companies experiencing issues. Yet CM stock has some good fundamentals behind it. In its most recent quarter, it delivered the following:

- $1.66 billion in net income, up 9% from the previous quarter
- $1.72 billion in adjusted net income, up 4% year over year
- An 11.8% common equity tier-one (CET1) ratio, well ahead of regulators' requirements

The "CET1" ratio is a special metric that only applies to banks. It means high-quality capital divided by total assets. The higher the ratio, the safer the bank, and CM stock is much safer than what regulators demand. That’s a good sign.

Why it could be a “buy-and-hold-forever” stock

CM stock could be a good buy-and-hold-forever pick, because Canada’s financial services market is tightly regulated. Canada’s regulators have lots of rules on foreign ownership, borrower creditworthiness, and other such things. As a result, Canada’s banks rarely experience true crises. This is a marked contrast to U.S. banks, which nearly went broke in 1929 and 2008. CM actually did get in some trouble with mortgages in 2008, but it was never at risk of a collapse. It’s relatively safe by global standards.

Risks to be aware of

As I explained above, CM stock is relatively safe. That doesn’t mean it’s without risks, however. CM doesn’t have as much business in foreign countries compared to the likes of TD Bank. As a result, it’s less diversified, it has more of its eggs in one basket (specifically, the “Canadian financial services” basket). This year, Canada’s housing market is slowing down, and CM is more exposed to Canadian mortgages than some of its peers are. Definitely beware of this and other risks before you buy CM stock.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. andrewbutton
2. kduncombe

Category

1. Investing

Date
2025/08/15
Date Created
2022/11/19
Author
andrewbutton