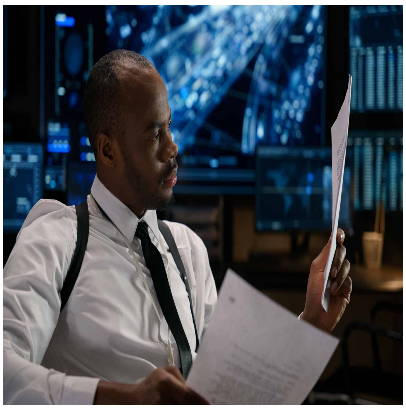

Is CIBC Stock a Buy in January 2023?

Description

The Big Six banks have taken a hard hit in the last year. Rising inflation and interest rates meant Canadians couldn't afford to take out loans, leading to losses by all the banks. Including dividend all-star **Canadian Imperial Bank of Commerce** (TSX:CM).

But with shares dropping so low, is it now time to buy up this big bank? Or is CIBC stock doomed for the remainder of 2023? Let's take a look.

Why the drop?

CIBC stock dropped with the rest of the banks this year but most certainly dropped more than the others. Shares are down by 21% year to date, with the other banks remaining in the single-digit or low-double digit range. So, why did CIBC stock drop so heavily?

The big issue for CIBC stock is that it remains a fairly Canadian-focused bank. Now this is changing with its acquisition of PrivateBancorp, with up to 25% of its revenue aimed to come from the United States. However, until that time it remains heavily exposed to the drop in oil and gas prices as well as the housing industry.

That being said, CIBC stock has taken steps to improving its company over the last decade or so. This includes improving its customer satisfaction, expanding wealth management, and improving U.S. growth. But while it remains one of the biggest lenders in terms of mortgages, this segment hasn't done so well in the last year. This segment in particular could cause the bank to struggle more in 2023.

Should you avoid CIBC stock?

In short, no — not if you plan to hold it long term. While CIBC stock should certainly struggle more than the other Big Six in 2023, it will eventually come out of this downturn. In fact, economists are predicting a far more manageable housing market in 2023. This would prove well for Canada's major lender this year.

That being said, CIBC stock has been spending a lot, so it will certainly have to put its money where its mouth is if it hopes to gain back investors at the same rate of the other Big Six banks. Yet when we look at fundamentals, the stock certainly looks oversold at these rates.

CIBC stock currently trades at 8.3 times earnings, offering a 6.21% dividend yield to lock up with shares down so low. It's also climbed 124% in the last decade for a compound annual growth rate (CAGR) of 8.4%! Meanwhile, sure we're going to have a rough year, but it won't be as bad for CIBC as the Great Recession was. And it managed to come out of that recession just fine, improving its bottom line in the process.

Foolish takeaway

CIBC stock offers investors an incredibly high dividend yield at cheap rates. Long-term investors would do well to lock up the stock with shares down 21% in the last year and bring in that high yield while they can. With provisions for loan losses, CIBC stock could make a stellar recovery a lot sooner than you think.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. 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. alegatewolfe
2. kduncombe

Category

1. Bank Stocks
2. Investing

Date
2025/08/12
Date Created
2023/01/03
Author
alegatewolfe