



Of the Big 6 Bank Stocks: Buy This, Not That

Description

Canadian bank stocks have been steady performers over time. And though they haven't moved all that much over the past five years, their steady, growing dividends remain a main attraction. Indeed, you can't go wrong with a Big Six bank as a long-term investor looking to build wealth over the ages.

However, whenever you can grab shares of one at a discount following a [bear](#) market plunge or any sort of market-wide panic, you can improve the risk/reward tradeoff that much more. Not only do you stand to get more in the way of capital gains with a freshly corrected big bank stock over the long haul, but odds are, you'll be able to "lock in" a dividend yield that's higher than that of historical averages.

Indeed, greater gains potential and a juicier dividend are reasons to prefer Canada's established banks when times get tough. Sure, banks aren't immune to recessionary headwinds. However, they always find a way to climb back once the recession passes and the new bull has a chance to run. Indeed, banks aren't exciting investments, but they are some of the most reliable wealth compounders for investors who commit to reinvesting those dividends.

At the end of the day, bank stocks are wonderful investments for the long run, provided your time horizon is long and you get in at a good price. After the 2022 bear market in many big bank stocks, I'd argue that now is a good time to re-consider the many bank stocks, as they drag their feet into a potential downturn.

CIBC stock looks like a buy. Scotiabank stock looks like a trim!

Of the Big Six banks, I like **CIBC** ([TSX:CM](#)) a lot, given its depressed multiple. The bank is off 30% from its high (the largest hit to the chin for the Big Six banks). The larger mortgage book isn't helping the bank, as higher rates pressure the domestic housing market. Indeed, housing is a big risk, but I believe the damage done to CM stock is greatly exaggerated.

Meanwhile, I'd take a raincheck on a name like **Scotiabank** ([TSX:BNS](#)), as its international business could face a rockier recovery once the recession works its course. Though a recession's impact is likely mostly baked into the share price (BNS stock is down 25% from its high), I think the name is

untimely relative to its peers.

At just 8.7 times trailing price to earnings, CIBC stock boasts a 5.82% dividend yield. That's an incredibly swollen yield that could surpass 6% if shares retest lows over the coming months. Undoubtedly, chasing yield is never a good strategy. However, CIBC is a far better bank it was ahead of prior downturns. As such, I think the relative underperformance in 2022 is unjustified, especially if a Canadian recession proves mild.

Though BNS stock is another Big Six laggard, with a similar price-to-earnings multiple (also around 8.7 times trailing price to earnings) and dividend yield (around 5.93%), I can't say I'm all too bullish on its emerging markets exposure ahead of a global downturn.

The bottom line for bank investors

BNS and CM have their own share of baggage as we head into a [recession](#). Between the two battered names, I prefer CM, as I think housing won't be as at risk as many believe. The Bank of Canada signaled for a pause following its latest hike. Peak rates could ease the fears of mortgage holders feeling the pressure.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

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

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