



Bank of Montreal (TSX:BMO) Stock Is Nearing an All-Time High: Is it a Buy Today?

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) stock has climbed 3.9% over the past three months as of close on June 19. [Back in March](#) I'd recommended Bank of Montreal to our readers, as it had become undervalued following a precipitous drop in late January and early February. This coincided with a broader sell-off in global markets.

The reigniting of trade tensions between China and the United States sparked another sell-off on Jun 19, although we have yet to see whether the drop off will be as pronounced as the previous hiccup. Previous trade scares have seen the market recoup its losses, although U.S. indexes have failed to climb back to January highs. Even with [trade tensions heightening](#), Canadian banks remain a good bet.

Bank of Montreal released its second-quarter results on May 30. The most encouraging growth was seen in the Canadian and U.S. Personal and Commercial banking segments. Total adjusted net income rose 13% year-over-year to \$1.46 billion and adjusted earnings-per-share rose 15% to \$2.20.

The Canadian Personal and Commercial banking segment saw its net income climb 11% year-over-year to \$590 million. Earnings were powered by revenue growth, with the bank also benefiting from higher margins due to rising interest rates.

U.S. Personal and Commercial banking reported net income of \$348 million, representing a 46% jump from the prior year. This was once again due to strong revenue growth and the company saw a big boost from the lower corporate tax rate in the United States. Back in December, the Trump administration signed through the *U.S. Tax Cuts and Jobs Act*, which slashed corporate taxes to 21% from 35%. The benefit of the lowered tax rate was approximately \$24 million in net income.

The Wealth Management segment also reported an increase of 17% in net income to \$296 million. Business benefited from improved equity markets and growth in its diversified businesses.

Bank of Montreal also announced a dividend increase of 7% to \$0.96 per share, representing a 3.5% dividend yield.

Is Bank of Montreal a buy today?

Bank of Montreal stock is close to its all-time high of \$105.55 that it reached in late January. In comparison to the other top banks, Bank of Montreal had a somewhat choppy 2017. The late surge was enough to push it into positive territory, but shares slumped for much of the year.

The bank was dealt some bad news this spring with the announcement of a security breach that impacted some of its customers. The incident is believed to have impacted fewer than 50,000 Bank of Montreal accounts, and during its earnings release, the bank assured its customers that it had sealed off “exposures” to customer data. Data breaches have been costly for some companies to put it lightly. It will take time to survey the full damage of this breach going forward.

In spite of the recent bad news, I like Bank of Montreal this summer season. The bank has performed well on the back of its strong U.S. footprint and should continue to pump out solid results with lower taxes, thus providing a boost. The stock is well positioned to exceed its all-time highs in the second half of 2018.

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