



National Bank (TSX:NA) or Bank of Montreal (TSX:BMO): Which Is the Better Bank Stock?

Description

The **S&P/TSX Composite Index** rose 104 points on June 20 on the back of a huge win for cannabis legislation and an [uptick for oil](#) ahead of a key OPEC meeting. The Canadian stock market has managed to shake off a disastrous G7 meeting, slumping oil prices, and rising anxiety over trade tensions between the U.S. and China.

A solid earnings season for the top Canadian banks has also contributed to the positive atmosphere. Today we'll look at two Quebec-based banks. Premier Philippe Couillard recently said that actions on trade from President Trump pose a "direct threat" to the Quebec economy. Like Ontario, Quebec has dispatched ministers to speak to top policymakers and businesspeople south of the border in an attempt to warm up the trade relationship.

The Quebec economy thrived in 2017, but it will now be forced to face these new challenges. With that in mind, let's take a look at the top two bank stocks and determine which one is the better bet for your portfolio today.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#))

Bank of Montreal stock rose 0.33% on June 20, and the stock has climbed 2% in 2018 so far. Shares are nearing all-time highs that the bank posted back in January.

I discussed in an article yesterday why I [targeted BMO](#) as an enticing buy. Earnings in its U.S. Personal and Commercial banking segment surged 46% year-over-year in the second quarter. It also posted solid earnings in Canada as revenue grew and higher interest rates boosted loan margins. The stock offers a quarterly dividend of \$0.93 per share representing a 3.5% dividend yield.

National Bank of Canada ([TSX:NA](#))

National Bank is the sixth-largest major bank in Canada. Shares have climbed 1.7% in 2018 as of close on June 20. The bank released its second-quarter results on May 30.

Net income rose 13% year-over-year in the second quarter to \$547 million, with diluted earnings per share reaching \$1.44 compared to \$1.28 in Q2 2017. The bank saw positive growth in each of its business segments, excluding specific items. The top performer was its U.S. Specialty Finance and International segment where net income surged 58% to \$63 million. Much of this growth was due to the performance at the Credigy and ABA Bank subsidiaries.

National Bank's Wealth Management segment also posted net income of \$119 million, representing a 23% increase from the prior year. This was achieved through growth in net interest income and fee-based revenues.

National Bank also raised its quarterly dividend by \$0.02 per share to \$0.62, representing a 3.7% dividend yield.

Which should you buy today?

I like both of these Quebec-based banks going forward, but Bank of Montreal remains my top target due to its larger U.S. exposure. Its presence south of the border should mitigate some of the negative impacts that Canada could see from U.S.-imposed tariffs. The corporate tax cut will also continue to propel earnings going forward.

CATEGORY

1. Bank Stocks
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1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:NA (National Bank of Canada)

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