



Better Addition to Your TFSA Today: Bank of Montreal (TSX:BMO) or Toronto-Dominion Bank (TSX:TD) Stock?

Description

The most recent bank earnings season was very encouraging for investors. There were concerns that bank profits had peaked in a very good 2017, but Canadian banks have put this inclination to bed. For new and experienced investors alike, Canadian banks remain extremely attractive for any portfolio. Today, we are going to examine two top bank stocks at or near all-time highs in September.

Which of these bank stocks is a better addition to your TFSA today? Let's take a look.

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

BMO stock has climbed 6.5% in 2018 as of close on September 10. Back in June, I'd [recommended](#) BMO stock, even in the wake of a less-than-stellar second-quarter report. BMO underperformed relative to its peers in 2017 but has more than made up for its slump this year.

BMO released its third-quarter results on August 28. Adjusted net income climbed 14% year over year to \$1.56 billion and adjusted earnings per share rose 16% to \$2.36. For the first three quarters of 2018, BMO reported adjusted net income of \$4.45 billion, which was up 6% from the prior year. Adjusted EPS was also up 7% year to date to \$6.67.

BMO received a sizable boost from its U.S. Personal and Commercial Banking segment. Adjusted income in its operations south of the border rose 34% year over year to \$376 million. Profits were powered by solid revenue growth and the benefits of the U.S. Tax Cuts and Jobs Act, which was enacted in December 2017.

BMO also announced a quarterly dividend of \$0.96 per share, which represents a 3.4% dividend yield.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

TD Bank stock has increased 7.8% in 2018 so far. Shares are up 5.6% over the past three months. After the passage of U.S. tax reform, I'd discussed why TD Bank was a [no-brainer buy](#) in late 2017. The bank released its third-quarter results on August 30.

Adjusted net income climbed to \$3.12 billion over \$2.86 billion in the prior year. For the year to date, TD Bank saw adjusted earnings rise to \$9.13 billion. TD Bank's U.S. Retail banking segment reported adjusted net income of \$1.16 billion, which represented a 29% increase from the prior year. Earnings were powered by loan and deposit growth, and higher margins, as the U.S. Federal Reserve committed to rate tightening. And TD benefited from U.S. tax reform.

TD Bank stock offers a quarterly dividend of \$0.67 per share, representing a 3.2% dividend yield.

Which should you buy today?

Both banks have benefited from solid gains in domestic markets, while U.S. segments have surged due to factors we have gone over, most notably tax reform. The economy has continued to perform extremely well south of the border. With that in mind, the pick today is TD Bank. The decisive point for TD Bank is its U.S. footprint, which is the largest of any Canadian bank. However, both are attractive additions for investors looking long.

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