



Mirror Warren Buffett's Big Bank Bets With These Canadian Bank Beauties!

Description

To say Warren Buffett is bullish on American banks would be a vast understatement. The Oracle of Omaha upped his bets across various U.S. banks in the third quarter, and while it's a foolish (that's a lower-case "f") idea to follow gurus in and out of stocks, it can pay major long-term dividends to pay attention to Buffett's moves, as they could yield hints as to where the next big-picture macro opportunity will lie.

In a previous piece, I warned investors that Buffett's swelling cash hoard was a cause for concern and that investors would have been wise to follow Buffett's lead by having plenty of dry powder on the sidelines rather than putting it all to work as Ray Dalio suggested when the markets were "melting up" after an abnormally smooth upward ride in 2017.

Fast-forward to today and we've suffered two corrections, and many pundits are starting to use that dreaded "R" word again – you know, recession.

And now that the herd has turned fearful, Buffett has been licking his chops, and he's spreading his bets across the banks. While he's yet to buy a Canadian bank, I believe investors on this side of the border can follow in Buffett's footsteps by picking up specific Big Six banks that mirror Buffett's recent bullish bets on the American banks. Who knows? Buffett may wish to venture up north for his next bank buy to take advantage of the more favourable FX rate.

Without further ado, here are two top Canadian banks that you may wish to spread your bets on, as Buffett has:

Toronto-Dominion: Canada's most American bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)), America's most convenient bank, is also Canada's most American bank, and with its risk-averse management team doing everything in their power to keep their value at risk minimized without compromising on the growth front, I believe TD Bank [deserves every penny of the premium price tag](#) it has over its peers. I think TD Bank should trade at an even bigger premium given its vast presence in the U.S. retail banking market — a market that Buffett's a raging bull on as his recent bets suggest.

TD bank's retail banking business is best in class when it comes to stability, and with prudent lending practices, investors can sleep comfortably at night knowing that any housing market meltdown won't trigger as many loan losses as it would for other players in Canada's banking scene.

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

BMO looks to be winning the [wealth management war](#) here in Canada with its SmartFolio robo-advisor and its growing line of "smart" active ETFs, both of which are slated to ride significant secular tailwinds over the next decade as Canadians look to reduce their investment fees.

Looking south of the border, BMO derives around a quarter of its revenues from the U.S. market.

Over the last few years, BMO has been beefing up its American corporate loan book, and with a robust capital markets and retail segment that continues to strengthen, I think BMO's making a strong case for why it should be at the top of investor's buy list this Black Friday.

Simply put, BMO is winning big both at home and away (U.S.), so the recent 10% peak-to-trough drop appears to be a very generous gift courtesy of Mr. Market.

Foolish takeaway

Banks are ridiculously cheap after the recent correction. They're fool-proof (lower-case "f") bets that'll reward their shareholders with rich dividends and generous dividend hikes regardless of how fast the economy's slated to grow.

Your big Canadian banks have been stress-tested and refined and they're ready for Mr. Market to bring his worst. So, if you're looking for a bargain bet, spread your bets across TD and BMO and get ready to rake in those rich dividends!

Stay hungry. Stay Foolish.

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2. NYSE:TD (The Toronto-Dominion Bank)
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