Alert: Bank of Montreal (TSX:BMO) Shares Just Hit This Important Buy Level

Description

I believe Canadian bank stocks are must-own securities for anyone who's serious about growing their wealth.

Although there have been occasional bumps in the road — the 2008-09 Great Recession is one notable example — Canada's banks have been proven return generators. This is because our largest banks have numerous advantages, including protection against new entrants into the market, government-mandated default insurance on the riskiest mortgages, and sharp management teams that ensure their bank only takes prudent risks.

This all but guarantees reasonable profits from the Canadian market — cash that is returned to shareholders via some of the best dividends around. The rest of these earnings are then invested into growth opportunities outside Canadian borders. Most of our largest five banks get a substantial portion of their total profits from outside Canada.

Some investors consistently buy bank shares using dollar-cost averaging to ensure they get a decent entry point over time. I do things a little differently in my portfolio, choosing my entry points carefully. One simple rule dictates when I buy bank shares, and we just hit that point with **Bank of Montreal** (TSX:BMO)(NYSE:BMO).

Why BMO?

Although BMO is one of the smaller members of Canada's so-called Big Five banks — it ranks fourth out of five in total assets — it's still a massive financial institution with $774 billion in assets.

Like its peers, BMO have an enviable position here at home. 63% of the bank's total income of $6 billion in adjusted profits came from Canada, including its retail banking services, wealth management, and capital markets. It's also investing heavily in various technologies, with the ultimate goal to drive more and more transactions online. This will allow it to close branches and ultimately increase profits.

Now onto the U.S. operations, which are mostly through BMO Harris Bank. BMO first advanced into the United States in the 1980s, acquiring Harris Bank. It patiently ran its new subsidiary for years, growing it organically before acquiring Marshall & Ilsley in 2011. The two companies merged and continued growing across the U.S. Midwest. These days there are more than 600 BMO Harris Bank branch locations located in Illinois, Wisconsin, Minnesota, Arizona, and Florida, among other states, and the U.S. operations accounted for about 25% of BMO's total profits.

Finally, shareholders have to be excited about BMO's dividend. It has paid a dividend for 189 consecutive years, which is the longest such streak in Canada and one of the longest in the world. Since 2005, the annual payout has more than doubled, increasing from $1.85 per share to today's level of $4.00 per share. That represents a current yield of 4.1%.

It isn't often investors find a distribution that pays out 4.1% with a demonstrated history of dividend growth behind it.

Why buy today?

Investors should be loading up on BMO shares today because the company currently trades at close to a 52-week low. Buying at depressed levels has been a great way for bank investors to amass real wealth over the years.

The last time BMO shares hit a fresh 52-week low was in September 2015, when they dipped below $70 each, eventually settling at approximately $68. Just a year later shares were $85 each before going even higher and breaking the $100/share barrier six months after that. Even after the latest big decline, BMO shareholders who purchased their shares during the last 52-week low are still up 35% (plus dividends) in just over three years.

The bottom line

Often, investment pitches are complex, causing investors to dive deep into the idea before getting a grasp on it. This investment pitch isn't. It's as simple as saying a great stock is temporarily on sale. It's the perfect time to add this fine company into your portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/07/02
Date Created
2018/12/10
Author
nelsonpsmith