



## Q2 Earnings Preview: Bank of Montreal (TSX:BMO)

### Description

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is the fourth-largest bank of the Big Six in Canada. Shares of BMO were down 0.14% at the bottom of the noon hour on May 8. The stock has climbed 18% in 2019 so far.

BMO is expected to release its second-quarter results for fiscal 2019 on May 29. Some [bank stocks struggled](#) following the previous earnings season, with turbulent markets weighing on earnings. BMO had one of the strongest quarterly reports of the big banks, with one segment contributing very impressive growth.

In March, I'd discussed why BMO and **Toronto-Dominion Bank** were [particularly susceptible](#) to a slowdown in U.S. growth or, in the worst case, a recession. TD Bank has the largest U.S. footprint of the big banks, but BMO also has a strong presence. Fortunately, U.S. growth has been robust to start the year.

The U.S. economy achieved 3.2% annualized growth in the first quarter of 2019. This was up from 2.2% in the fourth quarter of 2018. This pace blew away analyst expectations, who had projected growth around 2%. Strong consumer numbers were the chief contributor to the fantastic quarter. The U.S. added 263,000 jobs in April, which also far exceeded forecasts. Unemployment fell to a stunning 49-year low.

In its first-quarter report, BMO saw adjusted net income rise 8% year over year to \$1.53 billion. Net revenue increased 6% to \$5.59 billion. BMO's Canadian Personal and Commercial banking segment reported only a \$2 million increase from the prior year in adjusted net income. Revenue growth was partially offset by higher expenses and higher provisions for credit losses.

BMO reported adjusted net income of \$454 million in its U.S. Personal and Commercial banking segment. This represented a 42% increase from the prior year. Its U.S. network saw strong revenue growth and benefited from a full quarter from U.S. tax reform. Investors can expect this impact to wane as we head further into the year.

BMO's Wealth Management and Capital Markets segments suffered declines in reported and adjusted

net income in Q1 2019. Domestic and global market turbulence resulted in a poor quarter for BMO's peers. Much-improved conditions in the second quarter should provide a boon in late May.

Shares of BMO have nearly rebounded to its previous all-time highs set in late September 2018. It is trading at the high end of its 52-week range. The stock had an RSI of 60 as of this writing, which puts it just outside technically overbought territory. BMO's forward P/E of 11 makes it an above-average target relative to its competitors.

In the first quarter, BMO announced a second-quarter 2019 dividend of \$1 per share. This was unchanged from Q1 2019 and an 8% jump from the prior year. The 3.8% dividend yield is solid, but there are more attractive yields in the big bank crop.

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## Date

2025/07/23

## Date Created

2019/05/08

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