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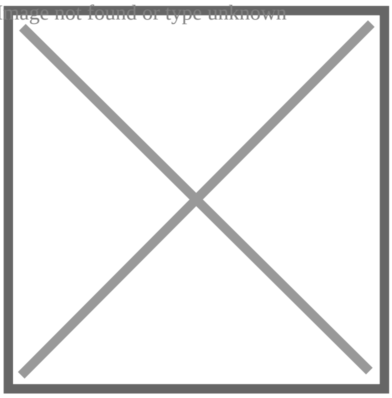

Never Mind the Banking Bears: BMO (TSX:BMO) Is Still a Solid Dividend Stock

Description

In the absence of a full-blown economic catastrophe, and despite headlines from the U.S. to the contrary, most mainstream pundits bullish on Canadian banks are still taking the line that the Big Five are “too big to fail.” Today, we’ll take a look at one in particular that has been out of the spotlight for the last few days, even though its share price has been drifting upwards.

Bank of Montreal (TSX:BMO)(NYSE:BMO) stock is still cheap at the moment, thanks to a poor end to last month and a rocky start to June. This was kicked off by a perfect storm of stalling international growth and growing trade tensions, first between the U.S. and China and then between the U.S. and Mexico. The timing was unfortunate, since BMO had a great second quarter — something that’s not getting talked about a lot amid the bearish noises coming from banking sector pundits.

Impressive growth and a stable market share make BMO stock a buy

The Big Five bank’s net income was up by an impressive 20%, with net revenue up 8%, while the bank also increased its provision for credit losses by an additional $16 million. Of particular interest to income investors, BMO also bumped up its dividend by 7% compared to this time last year. Paying a dividend of $3.92 giving a yield of 3.962%, BMO is therefore still a top dividend stock for defensive Canadian investors to buy and hold for the long term.

BMO Financial Group’s CEO Darryl White had this to say: “BMO’s continued strong performance this quarter is highlighted by good momentum across our U.S. platform and in our North American Commercial Banking business, reflecting our differentiated approach to growing customer relationships.” He went on to add that the U.S. segment contributed 35% to BMO’s adjusted earnings.

Direct competitors such as **TD Bank** and **Scotiabank** have seen their own share of market turbulence of late, with investor sentiment split evenly between the two Big Five bankers: bulls favour the former stock, while bears have been keen to point out Scotiabank’s disappointing Q2 report earlier in the month. This leaves BMO as a strong, innovative choice for banking investors looking for a fairly priced defensive dividend stud.

Talking of innovations, this week, the community-minded BMO announced a comprehensive suite of services tailored to support healthcare professionals in all their banking and wealth management needs. The services will cover healthcare workers along the lifetime of their vocation, from their post-grad days, through mid-career changes, and into retirement. It's initiatives like these that help to set banks apart from each other and help bring in and retain new business.

The bottom line

Though market commentators both sides of the border have been swift to point out the risks and flaws inherent in Canadian banking stocks, the fact is that the Big Five still represent stable and defensive income investing. Stacking shares in BMO for the long term could help keep your money safe during a market correction, while also bringing in some assured dividends.

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