Canadian Investors: 1 High-Yielding, Dirt Cheap Stock

Description

The stock market has recently moved deeper into bear territory, with a sell-off fuelled by growing concerns over COVID-19. While crashing prices have spooked some Canadian investors, we Fools recognise this is a great environment in which to search for dirt cheap stocks.

Now is simply not the time to be in cash, but rather the time to deploy cash in pursuit of undervalued stocks. The great Warren Buffett is a staunch believer in taking advantage of opportunities where others are fearful.

One such opportunity arising now is buying a high-yielding, dividend growth stock at a discount, allowing investors to lock in rock-solid yields for years to come.

Today, we'll be looking at **Bank of Montreal** (TSX:BMO)(NYSE:BMO), as its recent price free-fall means the dividend yield is shooting through the roof.

Bank of Montreal has a high yield

Bank of Montreal, or BMO, is one of Canada's major banks. Beyond offering personal and commercial banking services, BMO also operates wealth management and capital markets divisions.

As of writing, BMO is trading at $75.05, which represents a dividend yield of a whopping 5.6%, meaning this could be a great time to scoop up this high-yielding stock for cheap. Also, BMO's RSI indicates it's a heavily oversold stock, and so its attractive yield can be had for cheap.

It's also important to note that BMO hasn't cut its dividend since 2001. It only had a short period of stagnation through the financial crisis just over a decade ago. This means that Canadian investors can feel safe with BMO's current yield on offer.

BMO last reported earnings in January and beat estimates by $0.04 per share. This result was propped up by BMO's wealth management division posting a 22% increase in year-over-year earnings.

If BMO further expands its wealth management operations, it will be more resilient to low interest rates, as it can rely less on lending for profits.

Are banks getting hammered right now?

It's no secret that banks tend to fare poorly in extremely low interest rate environments. BMO stock fell by 13.29% on Monday alone. Plus, BMO could have more downside risk, as current market levels are likely not the lowest we'll see in the near future, with interest rates inching lower and no relief in sight for COVID-19.

However, buying BMO at these prices can lock in a great yield of 5.6%, which is satisfying for long-term investors not concerned with short-term fluctuations in price.

Of course, those who are worried about further downside risk can always purchase in chunks, allowing investors to average out their purchase price across multiple entry points.

The bottom line

BMO is a leading Canadian bank with a strong track record of paying large dividends. However, current stock market and interest rate conditions don't bode well for its share price in the near term. For investors with long time horizons, this type of price movement is but a small bump in the road.

Long-term dividend investors can indeed take advantage of these falling prices to lock in a mammoth 5.6% dividend yield with one of Canada's largest banks.

If you're bargain hunting for high-yielding dividend stocks, BMO is one of the strongest on offer.

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