Bank of Montreal (TSX:BMO) Stock Already Crashed 50%: Why Now Is the Time to Buy

Description

Don’t look now, but **Bank of Montreal** (TSX:BMO)(NYSE:BMO) stock is already down around 50% at the time of writing after the last month of selling hell.

As Canadian bank investors continue rushing for the exits, it’s important to remember that in the grander scheme of things, now could prove to be an opportunistic time to buy just like during the meltdown of 2007-08.

Yes, there are immense headwinds ahead of the Canadian banks. And no, they’re nowhere close to being out the woods yet after more salt was rubbed in their wounds amid the coronavirus-driven sell-off.

Although the headwinds seem insurmountable, you must remember that there exists a price where every stock, even the most troubled ones, becomes a buy. And after Bank of Montreal shares got cut in half, I think we’ve reached that point even considering the obstacles that lie ahead.

Remember how bad the 2007-08 Financial Crisis was for the big banks?

The Canadian banks seemed uninvestible in the heat of the downturn as their dividend yields swelled above and beyond what anyone would think is sustainable. The banks led the downward charge in 2007 as the bad loans racked up, but the tides eventually turned and the came roaring back.

The banks, like Bank of Montreal, are typically the first dominoes to fall in a crisis situation. Everything falls back on the banks and their ability to deal with rapidly souring loans. During times of crisis, the stocks of the big banks tend to overextend to the downside, leaving ample opportunity for fearless value hunters like you and me.

The banks go through hell and back during times of market turmoil. The key is not committing the cardinal sin of selling them after they’ve already suffered amplified downside relative to the market averages and missing out on a bounce-back that could be sharper than the initial drop.

Just look to 2009 and you'll see many bank stocks, including Bank of Montreal, doubling a year after forming a bottom. Once the initial wave of panic selling wears off, investors will see the swollen dividends of the banks as safe spots — and there will be an unprecedented rush back into the blue-chip dividend darlings as the next bull is born.

Bank of Montreal could lead the upward charge

To ride such a rebound, you've got to be in the stock while it's severely undervalued. Even if that means reaching out to catch a falling knife. At a certain point, the fundamentals ought to overpower the technicals. With Bank of Montreal already nearly halved, Canadians need to start aggressively buying the stock despite the excruciating degree of negative momentum.

The stock has a 7.7% yield at the time of writing. With a well-capitalized bank stock like Bank of Montreal, what you see is what you'll get with the yield. The bank is oversold, unsustainably undervalued, and could hike its dividend, even as provisions look to pop further.

The stock trades at 6.4 times trailing earnings, making the hard-hit bank a "steal" for long-term investors with a view that spans years and not months. Moreover, Bank of Montreal is unfairly leading the downward charge because of its marginally higher exposure to oil and gas loans.

Foolish takeaway

As in 2008, the **TSX Index** is now abundant in stocks with double-digit yields. The safety of the dividends, in aggregate, are growing suspect as we fall deeper into the market abyss. But the big banks like BMO are Dividend Aristocrats that will lead the next upward charge.

Don't sleep on the Canadian banks. Now is your chance to lock-in twice the yield for half the price. That's an incredible gift that your future self will surely thank you for, even though it's painful to buy anything in this falling knife of a market.

Stay hungry. Stay Foolish.

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