



BMO (TSX:BMO) Stock: Better Than Expected

Description

You might not want to look away because share prices of the **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) are soaring past 10% since the past week. At writing, the stock is trading for \$83.67 per share. The surge in the banking stock didn't come out of nowhere, however. It followed the release of fantastic third-quarter results from fiscal 2020. The results were much better than analysts' expectations, and investors expected amid the COVID-19 pandemic.

The initial sell-off frenzy back in February and March saw BMO lead the downward charge. It lost almost 50% of its value peak to trough, and it was in bad shape. It is no secret that BMO provided loans to some of the most [hard-struck sectors](#) in the economy during the crisis, thereby impacting the financial institution.

Picking up traction

You might agree that the substantial decline in its share prices was uncalled for. While the pandemic's headwinds appeared that they would overwhelm the bank, BMO is a financial institution that can persevere. The fact that it is gaining momentum is driving back Canadian investors in droves.

There is a chance that we might soon see a massive bullish run from the bank. At the same time, investors should be careful. What if it is nothing more than another post-earnings rally that will fizzle out and lead to more disappointment?

A resilient banking stock

The first two quarters of fiscal 2020 gave a relentless beating to banking stocks in the country. The provisions for credit losses rose at an alarming rate with the onset of the global health crisis.

Canadian borrowers were given respite with low interest rates, but that was taking a toll on several Canadian Dividend Aristocrats. The Bank of Montreal seemed like it might finally take a break from its impressive two-century-old dividend payout streak amid the pressure. Despite all the scare, BMO did

not put its dividend streak on the chopping block.

BMO reported impressive earnings per share (EPS) of \$1.85 – a massive improvement from an EPS projections of \$1.73. Investors and analysts were blown away when they were expecting more troubles for the bank. The expenses and PCLs for BMO were surprisingly low despite the continuing pandemic.

Is the worst over?

One of the most significant pain points for BMO was its above-average exposure to the oil and gas sector. The industry saw a one-two punch from the oil price crisis and the pandemic to hurt BMO. It will likely continue to be problematic for the bank. Still, BMO has proven that it had plenty of room to recover, and it has.

With the Canadian economy showing signs of life again, BMO looks like it can be an excellent stock to buy right now.

Foolish takeaway

The Bank of Montreal is one of the most [substantial financial institutions](#) in Canada. The stock is trading for \$83.67 per share at writing. It has an inflated 5.07% dividend yield that you can leverage. The bank is still trading for a discount of almost 20% from its January 2020 high. I think that it could be a valuable addition to your investment portfolio at its current price.

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