TFSA Investors: A Dirt-Cheap Canadian Bank You Should Buy and Hold Forever

### Description

Historically speaking, September hasn't been the greatest month for the stock market. After one of the best Augusts in many years, it seemed as though the stage was set for another steep September sell-off. While there's no telling when the excessive tech-driven selling will end, I think TFSA investors with ample cash on the sidelines have an opportunity to take advantage of the bargains that have opened up in recent weeks.



## Value stocks will have their moment to shine

Now, "growthy" technology stocks, I believe, are likely to continue leading the downward charge. As more promising news on COVID-19 treatment and vaccines comes out of the pipeline, count me as unsurprised if we continue to witness a rotation out of growth and back into value.

This piece will have a look at a cheap Canadian dividend stock that you may want to consider buying for TFSA investors amid the latest market road bump. The undervaluation in the name, I believe, will be corrected over the next year, as COVID-19 headwinds begin to fade. Enter **Bank of Montreal** ( TSX:BMO)(NYSE:BMO), a blue-chip bank that's currently down over 26% from its pre-pandemic highs.

## TFSA investors think the big banks haven't seemed this uninvestable in quite a while: That's precisely why I'd back up the truck!

The big banks have taken a big hit to the chin amid the COVID-19 crisis, and while macro headwinds are pronounced, I think the pessimism has been overblown beyond proportion at this juncture. Yes, steep provisions are likely to continue being the theme going into year-end, and lower loan growth at even lower margins does not bode well for medium-term earnings growth of the big banks.

That said, big banks such as Bank of Montreal, which led the downward charge back in February and March, are already trading at levels that make them close to the cheapest they've been in recent memory. These days, there are few things to get excited about with any banks. Should this crisis drastically worsen, many financially strapped businesses aren't going to be able to meet their debt obligations, and the banks (and TFSA investors banking on the bank stocks) stand to be the ones holding the bag.

If you believe that the worst of this crisis is over, severely undervalued Big Six bank stocks are must-buys for those with a time horizon beyond 18 months. BMO rarely trades at a discount to its book value, but when it does, there's usually a crisis that takes a few years to bounce back from. If you can afford to sit on the name in your TFSA, there's a handsome 5.3%-yielding dividend to collect.

BMO and its peers have been through numerous crises, and every time, they've recovered while keeping their dividends intact. For "Big Blue," I believe this time will be no different. BMO's latest quarter was far better than feared, and although it's too early to tell if the worst is behind the banks, I'd argue that the valuation to be had on the Canadian banks is too compelling to pass up.

## Foolish takeaway on BMO stock for TFSA investors

If you're a TFSA investor who's able to buy and forget about a name, BMO ought to be near the top of your shopping list. It's a prime example of an out-of-favour value investment that's overdue for a correction to the upside.



**CATEGORY**

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. Stocks for Beginners

**TICKERS GLOBAL**

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

**Category**

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

5. Stocks for Beginners

**Date**
2025/09/10
**Date Created**
2020/09/14
**Author**
joefrenette