



The Best Big 6 Canadian Bank Stock to Buy Right Now

Description

What a run it's been for the Canadian bank stocks. After years of [difficult](#) macro conditions, they're finally taking off. With rampant inflation and increased odds of faster-than-expected interest rate hikes, the big banks could be on the cusp of a major bull market that could propel them to even higher highs. For many beginner investors, it can be tough to imagine what things will be like in the early innings of an expansion.

Canadian bank stocks in rally mode!

Many market newbies have likely dealt with sub-par returns from Canada's top banks, as they consolidated amid a rare Canadian credit downcycle. We've all come to expect steep provisions for credit losses (PCLs), thin net interest margins (NIMs) from rock-bottom rates, and mild loan growth from the Big Six. Now, the macro backdrop hasn't looked this good for Canada's top financials in quite some time. While you'd probably do very well by reaching for any Canadian bank stock or grabbing a banking ETF, I think stock pickers should reach for the most undervalued names rather than settling for the broader basket.

As always, there's a best bank for your buck. And in this piece, we'll have a look at a name that I think will be among the biggest winners of the Big Six banking giants over the next 18 months. And disclaimer, I've been buying shares of the bank aggressively over this past year and plan to continue adding my position over time and on any [dips](#).

Bank of Montreal: The big blue bank bounces back

It's hard to believe that it's been a full year since **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) stock imploded, shedding nearly half of its value in the horrific coronavirus stock market meltdown.

With a hefty corporate loan book exposed to smaller, at-risk businesses, and more than its share of exposure to the energy patch, which was on its knees when oil made a brief move into negative territory, BMO stock deemed like the go-to Canadian bank stock to take profits in. The pandemic hit all

Canadian bank stocks hard, but of the Big Six, BMO took a brunt of it.

Today, the tables have turned in a big way, and BMO now looks like one of the more attractive bank stocks out there. The stock popped 2.5% on Thursday, bringing shares up an incredible 92% off those ominous 2020 lows.

The price of admission has gone way up, but the inherent risks have gone way down over the past several months — so much so such that I still think BMO stock boasts one of the best risk/reward scenarios in the market today.

As rates rise, BMO will face margin expansion, as its peers will. If you're worried higher rates will pressure the frothy Canadian housing market, though, you'd be comforted to know that BMO has some of the lowest exposure to domestic mortgages.

BMO kicks off 2021 with a bang!

Bank of Montreal's first-quarter numbers were stellar. Adjusted EPS numbers came in at \$3.06, blasting past the consensus estimate of \$1.69. It wasn't just an earnings beat, it was an epic blowout, and I think it could mark the start of a sustained rally to much higher levels.

With strong growth across the board and a more favourable environment up ahead, I couldn't be more bullish on the Canadian bank stock.

BMO shares trade at 14.6 times earnings and 1.4 times book — pretty fairly valued versus historical and industry averages. Given the outstanding backdrop and the strong start to the quarter, though, I think BMO stock deserves a far richer multiple. And in due time, I think it will command one. For now, the 3.6%-yielding dividend ought to appease long-term investors.

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Author

joefrenette

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