



## TFSA Investors: The Best Canadian Bank Stock to Buy and Hold as Bank Stocks Rally

### Description

Canadian banks have enjoyed a very good run in recent months, despite the economic fallout from the pandemic. Inflation is increasing, and the chances of faster-than-anticipated interest rate hikes could push the major banking stocks in Canada to a substantial bull run. It might be hard to imagine banking stocks hitting new heights, but that may become a reality.

### Canadian banks are starting to rally

Many new investors on the TSX had to deal with less-than-satisfactory returns from the top banking stocks in Canada. Canadians have started to expect high provisions for credit losses (PCLs), thinning net interest margins (NIMs) due to low interest rates, and meagre loan growth from the Big Six Canadian financial institutions.

The bigger picture has never looked as good for Canadian banks in a long time. You might get sizeable returns by investing in any of the top banking stocks or purchasing banking ETFs. However, it might be better to choose an undervalued name from the Big Six and focus on its potentially market-beating returns than diversifying into a basket of banking stocks.

I will look at one of the best names among the Big Six that you can consider to get the best bang for your buck.

### Bank of Montreal is back

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) almost imploded with the onset of the pandemic and the ensuing meltdown in the market. The hefty corporate loan book was exposed to smaller and at-risk businesses. Its significant exposure to the Canadian oil patch did not help the situation get any better for the bank due to the oil price crisis.

All of the big names in Canada's banking sector were struck hard, but BMO took the brunt of the

impact. Today, the situation is drastically different from what it was last year. BMO looks like the most attractive bank stock in Canada right now. At writing, the stock is up by a staggering 86.32% from its valuation a year ago.

As the rates rise, BMO will likely face margin expansion like its peers. If you are worried that higher interest rates will put pressure on the hot and [frothy Canadian housing market](#), BMO could offer you some of the lowest exposure to domestic mortgages among Canada's big banks.

## Foolish takeaway

Bank of Montreal posted stellar figures in its first-quarter earnings report for fiscal 2021. Its adjusted earnings per share were \$3.06 — well past analyst expectations of \$1.69. It is one thing to beat analyst expectations and another to blow them out of the water.

Such strong figures suggest that the bank stock could rally to much higher levels. Bank of Montreal is trading for \$121.52 per share at writing, boasting a 3.49% dividend yield and a favourable 14.82 price-to-earnings multiple.

Considering the robust start to the quarter and its historical and industry averages, BMO could be an ideal pick for long-term investors who want to capitalize on its [dividend income](#) and future growth. Holding its shares in a Tax-Free Savings Account could allow you to enjoy the wealth growth without incurring taxes on your earnings to become a wealthy investor in the long run.

### CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:BMO (Bank Of Montreal)

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