



Canadian Banks: Buy This Dividend Aristocrat on the Way up!

Description

All it took was a year and a half for the Canadian bank stocks, many of which are top Dividend Aristocrats, to go from the doghouse to the top of the podium. With inflation jitters and worries about quicker-than-expected rate hikes, Canada's top financial plays have suddenly become must-buys, with the ever-improving macro backdrop.

Indeed, the banks have navigated through years of horrific headwinds. But the tides are turning, and if you haven't punched your ticket to a top bank, you may wish to do so before they hike their [dividends](#) at an above-average rate through what appears to be a much calmer road ahead.

Even if you're a young, venturesome investor who doesn't need passive income today, the banks are an excellent hedge against a rising-rate environment.

As always, there's a best bank for your buck at any given time. And while you could do extraordinarily well by buying the Big Six basket or hand-selecting a random sample, I think some names offer more for your invested buck. In this piece, we'll have a look at one of my two favourite bank stocks to ready yourself for a hot economy.

Canadian banks: From worst to first

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is one top Canadian dividend stock on my radar that's nearing an attractive price. Shares of the name took a brunt of the damage last year but have since come blasting off to new highs. The bank, which has a considerable amount of commercial loans, many of which are exposed to the oil and gas sector, looked downright toxic in the ominous depths of March 2020.

Sure, BMO wasn't the best-equipped to deal with COVID-19 lockdowns versus the likes of its Big Six peers, especially **Royal Bank of Canada**, whose capital markets business really smoothed out the rough waters. BMO's loan book was never really as rancid as most investors viewed it, though. Provisions were creeping higher, but the bank wasn't in the dire shape it was during the Great Financial Crisis. BMO and the broader basket of Canadian banks were stress-tested, with solid capital

ratios.

Fast forward to today, and BMO stock is one of the [best-performing](#) TSX leaders. All of a sudden, oil is white hot, and oil and gas is actually one of the better places to be with WTI flirting with US\$75. Undoubtedly, last year's overreaction was an opportunity for a few brave investors. While BMO stock looks to have fully corrected to the upside, I'd argue that there's still room to run, especially as Canada opens up.

The bottom line

Loan growth could blast off as provisions dwindle. Add the prospect of higher rates into the equation, and it becomes more apparent that the big banks are in the early innings of a massive bull run, which will surely be full of generous dividend hikes. Given the macro backdrop, BMO stock is one of my favourite picks, and as its recent rally runs out of steam, I'd get ready to do some buying.

The 3.3% yield is compressed, but I think it's well- positioned to grow, as big bank dividend hikes make a return.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/09/10

Date Created

2021/06/25

Author

joefrenette

default watermark

default watermark