



The Economy Is Booming, and BMO Stock Is a Great Way to Play This Growth

Description

With this [bull market](#) continuing to run full-steam ahead, it's possible we could be in the midst of one of the greatest economic booms in history. At least, that's what stock prices are telling us right now. Whether investors in **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) stock will see the same sort of growth as other high-tech, hyper-growth plays really isn't debatable. This large Canadian bank is likely to lag these growth stocks for some time to come.

However, I think in this kind of environment, BMO stock is the [perfect fit](#) for many investor portfolios. Those with a strong tilt toward growth may start wanting to consider higher-income, mid-range growth plays like BMO right now. After all, at some point, valuations revert toward their longer-term mean. For banks like BMO that are trading relatively in line with this longer-term mean, investors are able to generate great risk-adjusted returns from here.

Let's discuss why BMO's growth profile is attractive relative to the company's historical performance.

BMO CEO: "We never had the spring coiled so tightly"

After nearly a year and a half of able crisis management, the CEO of BMO, Darryl White, finally expects that an economic boom is on the horizon. After an annual meeting with his 10 top executives, optimism appears to be prevailing in terms of the economic outlook from here. Despite earmarking \$2.2 billion last year for provision for credit losses, the bank clocked a massive \$3.3 billion in profit. Moreover, the bank's capital reserves haven't been this strong in some time.

Why this optimism?

Well, White believes that the economy is headed toward a strong two-year rebound. GDP growth could come in around the 6-7% range for Canada and the United States. Given the pent-up demand for goods and services, banks may pick up higher lending volumes via increased demand. Indeed, as economically sensitive entities, BMO is among the direct beneficiaries of this recovery — that is, if the CEO's outlook proves to be accurate.

Bottom line on BMO stock

I think BMO's CEO is right on the money with his optimism. Indeed, there are strong indications this recovery will be a good one, at least over the near term.

For BMO, a bank with a price-earnings ratio of around 10 and a dividend yield of 3.3% make this long-term holding hard to ignore. Those seeking a high-leverage play to a booming economy from here ought to consider big banks like BMO. Indeed, these banks provide excellent risk-adjusted returns that are just simply hard to find in this current market.

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