



1 of the Best Canadian Bank Stocks for Your Buck Today

Description

Delta variant jitters sent the broader markets much lower on Monday. Indeed, it seems as though there is [no winning](#) in this market with the biggest causes of concern: COVID-19 variants and lower U.S. 10-year bond yields, or the risk of an overheating economy and higher rates. Undoubtedly, it's a tough situation for investors. But I do think it's worthwhile to take advantage of recent weakness, as a 3-5% market-wide pullback may be all we'll get for the year.

Did the much-anticipated market correction already happen?

Yes, we're overdue for a correction, which is defined as a 10% [plunge](#) from peak to trough. Still, given the magnitude of earnings growth we could be in for this fall, I'd argue that any modest dips should be nibbled away at by investors with ample cash on the sidelines.

Moreover, one must not ignore the many individual stocks that have already fallen into a correction. Some are in bear market territory due to the sector-based "rolling correction" that has been going on in the background for most of the year.

In this piece, we'll have a look at two TSX stocks that are already down over 5-10% from their highs, more than the **TSX Index**'s relatively mild 2-3% pullback. It's these names I'd look to buy going into August 2021, regardless of what ultimately ends up troubling the broader markets in the second half of 2021.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) strikes me as a terrific buy on the dip.

Bank of Montreal: A top buy on the dip?

Bank of Montreal was arguably the least-loved stock back in February 2020, when COVID-19 fears gripped the markets, sending all stocks spiraling uncontrollably into the abyss. Shares of the Big Six bank nearly shed half of their value in a matter of weeks, only to come climbing back to hit all-time highs just over a year later.

Indeed, it can pay major dividends to be a contrarian with the Dividend Aristocrats like the Canadian banks. It's easier said than done, though!

With this recent reverse in bank stocks, I think BMO is a name that could unfairly lead the downward charge, despite the improving credit quality of its commercial loans. The bank, which is currently down just shy of 6% from its high, has a considerable amount of exposure to the oil and gas (O&G) sector, which went from dog to darling in less than two years.

With oil tanking nearly 8% on Monday to US\$66 and change, down from its US\$75 and change peak, you'd imagine that the jitters would spread to banks heavy in O&G loans. Now, US\$66 WTI isn't a cause for concern. In fact, BMO will still do really well, even if WTI retreats to the US\$50 range — a normalized level that's likely to be hit going into year-end.

As BMO stock gives up ground, I'd look to be a buyer. Credit quality is still very high, and there's much room for O&G to weaken before BMO feels real pain.

Bottom line

Bank of Montreal is a wonderful bank, and the latest dip, I believe, is a gift from Mr. Market. The macro backdrop hasn't looked this great in a long time. As such, I think bank-light investors ought to think about punching their ticket before the banks' next leg higher.

CATEGORY

1. Bank Stocks
2. Investing

POST TAG

1. Editor's Choice

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. Investing

Tags

1. Editor's Choice

Date

2025/08/23

Date Created

2021/07/21

Author

joefrenette

default watermark

default watermark