Bank of Montreal (TSX:BMO): A Dividend Rock Star I'd Hold Through 2022

Description

2021 was an incredible year for the broader **TSX Index** and **S&P 500**, the latter of which posted just a few percentage points shy of a 30% annual gain. Indeed, investors must mute their expectations going into 2022. Such incredible returns are just unsustainable year after year, especially with rate hikes likely on the way. Does that mean 2022 will be a down year for markets to make up for has been a solid past three years? Not necessarily. It's tough to gauge what to expect from stock markets for the year ahead, although many strategists are confident in their predictions.

With Omicron, other COVID variants, rate hikes, and persistent levels of high inflation, markets are undoubtedly entering uncharted territory. Higher rates, inflation, and lockdowns could pave the way for a stagflationary environment or, at the very least, muted growth prospects. Regardless, investors seem to have already prepared for rate hikes, inflation, and variants, with high-multiple growth stocks that are slogging into the new year in a position of weakness.

Seek dividend rock stars to hold in your TFSA for 2022

To improve one's odds of continuing to add to their gains, one must maintain a diversified portfolio that's ready for any market environment. It's hard to remember the last time we've been dealt a 10% correction. While there was no shortage of 4-5% pullbacks last year, I think waiting around for a big drop is a bad idea, even if pundits on the Street are the least bullish they've been in quite a while. Remember, few people were bullish when the 2020 stock market rattled markets back in February, bringing forth fears of an upcoming "depression."

Do take year-ahead forecasts with a grain of salt. Instead, focus on what you can control and buy stocks that you deem cheap. With markets flying near new highs, consider the names that didn't get as much love in 2021. Such names could be compelling "catch-up plays" but do ensure that the fundamentals still hold up in the face of further COVID supply chain woes, persistent inflation, labour shortages, and a rising-rate environment.

Consider **Bank of Montreal** (TSX:BMO)(NYSE:BMO), a top financial stock that could see the wind really go to its back in 2022, even as other areas of the market sag.

Bank of Montreal

As rates rise, the banks could really shine, and it's about time after many years of sub-optimal conditions and margins. Undoubtedly, BMO is one of my favourite Canadian stocks for the kind of environment we find ourselves in. The bank has proved its resilience through tough times (elevated provisions and meagre earnings growth), with an ability to bounce back quite quickly from crisis conditions.

Going into 2022, BMO's managers are incredibly confident. They wouldn't serve up a huge dividend hike for no reason. The bank's latest quarter was remarkable, as too was its acquisition of California-centric Bank of the West. Criticize the deal if you will, but in BMO's hands, Bank of the West could become the best version of itself. And if we are on the cusp of a banking bull market with rates poised to rise, commercial- and retail-focused BMO is one of my top bets to beat the broader indices in 2022 and beyond.

It's a beautifully run bank, and the tides are about to turn in its favour. The nearly 4% yield is worth picking up in the new year, as the bank looks to bring its growth to the next level.

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