



Big 6 Bank Stocks Could Soar With Interest Rate Hikes

Description

After the last year's dividend bonanza, significant capital gains could be next for Big 6 Bank stock investors in 2022. Jonathan Aiken from **Barclays** Capital said the imminent interest rate hike is palpable relief for the country's top lenders. The veteran bank analyst raised his price targets for the bank shares by an average of 10%.

Aiken predicts the price of **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) to climb by as much as 18% to \$169.63. The **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) still trades below \$100 as of this writing. However, the current share price of \$89.97 could jump 12.16% to \$100.91 in one year.

BMO announced the most significant dividend increase (25%), while BNS would still pay the highest even with its 11% payout boost. The dividends should be rock-steady and [sustainable for decades](#), whichever bank stock you purchase today.

Initial rate hike

Canadians could see the end of historically low rates this month. Market observers say the probability of the initial hike tomorrow, January 26, 2022, is 73.8%. Economists and traders believe a [string of interest rate increases](#) will follow after the first hike. They expect the Bank of Canada to bring the rate back to the pre-pandemic level (1.75%) in about a year.

BNS economist Derek Holt said, "Canada is indeed at a fork in the road." Canada's third-largest bank forecasts the interest rate to hit 2%, or higher than 1.75%. Meanwhile, strategists at **CIBC** Capital Markets, led by managing director and head of fixed income Ian Pollick, are against market consensus.

Pollick said the Feds can afford to remain patient and wait a few weeks as the inflationary trajectory will not overheat the economy yet. The fifth-largest lender predicts lift-off will be in late March or April 2022. Economists hope the decision of Governor Tiff Macklem and central bank officials will aid, not harm, the impressive economic recovery.

Buy-and-hold stocks

BMO's acquisition of the Bank of the West, **BNP Paribas'** subsidiary, confirms the bank's continuing expansion in the U.S. Canada's fourth-largest financial institution will use its existing capital to complete the US\$16.3 billion transaction.

Darryl White, BMO's CEO, said, "With the strength of our performance and our integrated North American foundation, we have never been better positioned to take this next step in our growth strategy." The \$89.93 billion bank is a dividend pioneer and pays a decent 3.65% dividend.

BNS has been paying dividends since 1832, so its track record is almost 190 years long. Besides that incredible feat, the bank stock's total return in the last 49.14 years is 207,729.64% (16.82% CAGR). If you invest today, the \$110.68 billion bank pays a lucrative 4.39% dividend.

Brian Porter, President and CEO of BNS, said that apart from the strong fourth-quarter earnings, management exceeded its medium-term financial targets in fiscal 2021. Porter adds, "Our diversified business model demonstrated its resilience through the pandemic, and the Bank is well-positioned to achieve its full earnings power in the upcoming year."

Cope with rising inflation

Canadians should think more about investing than spending in 2022. It would be best to [create passive income](#) from Big Bank stocks to cope with rising inflation. While a risky rate-hiking cycle looms, some economists say it should be able to cool inflation significantly.

CATEGORY

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