1 Dividend Stud That Could Soar to Higher Highs in 2022

Description

Dividend studs like the big banks were built for times like these. High inflation, rising rates, a still-robust economy could pave the way for a remarkable bull market for some of Canada's top financial institutions. Undoubtedly, the big banks have already blasted off, leaving those who doubted it during the depths of 2020 behind. Many who gave up on the banks for fintech will have to buy back at higher prices. However, for those who stood by the banks through their moment of turmoil, the rewards have been massive. Moving ahead, I believe there's even more to love about the big banks.

While you could do well by throwing a dart at any one of the Big Six names, I'd argue that some are better positioned than others to thrive in the favourable environment that lies ahead. Of course, you'll need to consider the price you'll pay for what you get. In the case of **Royal Bank of Canada**, I believe the path ahead couldn't be brighter. That said, I'm not all too enthused about the premium valuation at this juncture — at least not versus the likes of its smaller brothers, many of which I believe offer way more in terms of value!

Indeed, whenever you kind find the perfect mix of quality and value, you could have the formula for market-beating gains. And in this piece, we'll check out one dividend stud (it's a big Canadian bank!) that can proceed forward, even as the TSX Index or S&P 500 sink lower as tech stocks continue crumbling ahead of Fed rate hikes.

How many rate hikes are in the cards for 2022?

Three or four seems to be the consensus. They could rise faster, though. Regardless of how fast rates rise, I think the banks are a great value. Indeed, the negative impact of rate hikes on the unprofitable tech companies is far greater than the positive impact for well-run financials. As such, investors should pay more attention from a bottom-up standpoint when evaluating firms on their watchlists.

Without further ado, consider **Bank of Montreal** (TSX:BMO)(NYSE:BMO), one intriguing dividend stud that could be ready to roar in 2022.

Top dividend stud for 2022? Bank of Montreal

Arguably, BMO is one of the best banks for your buck these days. It took a hit during the worst of the pandemic back in 2020, thanks in part to its commercial loan exposure to the oil patch. Now, oil is blasting off, and BMO's sore spot is a bright spot. With the acquisition of Bank of the West, BMO has an opportunity to deliver meaningful synergies. With a brilliant management team, who couldn't be more confident in the future, I'd argue that BMO is not only best equipped to lead the Big Six to higher highs, but it's also in a spot to command a richer premium versus its peers.

Just how confident are BMO's managers? So much so that it hiked its quarterly dividend by a staggering 25%. That's nothing short of remarkable. It's full speed ahead for BMO, and the stock looks way too cheap here at 12.9 times trailing earnings.

The 3.55% dividend yield is pretty much in line with the peer group. I'd expect the dividend-growth rate to continue staying above the curve. Up 7% year to date and 55% over the past year, BMO is a momentum/value play that's ready to lead this bullish charge.

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