The Key Reason Why Investors May Want to Consider BMO Stock

Description

One of the top sectors long-term investors often gravitate to when looking for total return are bank stocks. Indeed, investors in **Bank of Montreal** (TSX:BMO)(NYSE:BMO) stock certainly have a lot to like about this company's long-term historical returns in this regard.

However, given the recent run up in BMO stock, there could be some hesitation among investors. After all, given how uncertain the economy is, financial stress could hit any big bank in a meaningful way moving forward.

That said, there are a lot of reasons why BMO is often looked to as a top-tier bank to consider right now. Like its peers, BMO benefits from this rising-rate environment. Assuming delinquencies don't balloon, there's a lot to like about this lender's cash flow profile.

Additionally, there's another company-specific factor for bulls to consider. Let's dive into why BMO stock could be a great pick right now.

Corporate lending growth boosts BMO stock

Amid some relatively impressive earnings numbers, BMO stock has continued higher. This stock is currently trading around its all-time high, an impressive feat for any company in this environment.

BMO's first-quarter results showed earnings growth of 45% on a year-over-year basis. Spurred by loan growth, BMO has seen a surge in its North American business. Double-digit commercial loan growth and impressive performance in the company's wealth management business drove continued impressive results.

Some of this growth can be attributed to recent acquisitions. BMO's December acquisition of Bank of the West for $16.3 billion has a lot to do with these results. Accordingly, growth in the U.S. market as well as globally continues to provide a strong tailwind for this lender.

BMO has a diversified business and a powerful capital market

BMO features a diverse business. Specifically, the company's commercial banking segments and capital markets have a stunning ETF distribution network. This diversified business model has aided BMO in growing its non-interest income faster than any of its top five banking peers.

Notably, this non-interest income growth is important to consider for two reasons. The first is that BMO doesn't rely much on cheap money provided by the Bank of Canada. Secondly, the lender's focus on capital markets and commercial banking lowers its retail investor risk. Thus, BMO has the lowest exposure of mortgages among its peers.

For those concerned about the negative impacts rising rates could have on the banking sector, BMO is thus one of the most defensive picks of this peer group.

Bottom line

Overall, there's a lot to like about BMO's business model. This is a company with a defensive tilt and diversified operations its peers simply don't have. To boot, BMO stock carries a very nice dividend yield .

For those seeking excellent long-term total portfolio returns, BMO stock is an excellent choice to consider right now.

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