



Why'd Bank of Montreal (TSX:BMO) Stock Plunge 4% in a Day?

Description

The stock market has been nothing short of stomach-churning of late. It's been a confusing year, with the value- and commodity-heavy TSX Index pretty much divorcing from the U.S. indexes like the S&P 500 and Nasdaq 100. With the TSX Index just a half percentage point away from hitting all-time highs, it certainly seems like 2022 is the year that the TSX finally tops its U.S. counterparts after many years of lacklustre results.

While it's only been a quarter, I do expect [more of the same](#) for the next year and potentially 2023, as rates rise and the appeal of value, real free cash flows, and rock-solid balance sheets become that much more important.

Indeed, the next few years could be very different as the growth trade fades and the speculative frenzy draws to a halt. Whether or not Bitcoin and all the sort implode remains to be seen. In any case, I'd look to stay within my circle of competence and encourage others to do the same. If you can value it and a stock has fallen below a level you'd be willing to jump in, then don't let the talking heads convince you otherwise.

Sometimes broken stocks are not a great indicator of how a business is actually doing! That's where real value can be had by those willing to look for it and not be influenced by vicious moves influenced by broader market factors.

Bank of Montreal

Shares of **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) were back in [retreat](#) mode on what was a plunging halt to the market-wide relief rally enjoyed over the past week and a half. BMO stock fell nearly 4% on the day, as Canadians took profits on the broader basket of bank stocks. With the Liberal government contemplating going after the bottom line of the big banks, it's not a mystery as to why the big banking rally has run out of steam in such a vicious way. With BMO selling approximately 18.1 million shares to help fund its big US\$16.3 billion acquisition of Bank of the West, investors have the right to be concerned.

The Bank of the West deal was not cheap, but I also do not think it was expensive. If anything, BMO got a fair deal. Under its solid management team, I do think the deal will pay ample dividends for years to come, especially as rates allow the bank to slowly raise the bar on its margin-expansion initiatives. I think the 4% daily drop is an opportunity. BMO is arguably one of the best-slotted to grow its book and dividend at an above-average rate over the next five years. At 11.4 times trailing earnings, BMO stock is quickly becoming one of the most intriguing plays of the Canadian banking giants. Yes, Bank of the West introduces a bit of uncertainty, but things can go right with the deal from a longer-term perspective.

The Foolish bottom line for investors

BMO stock's rally has come to a plunging halt, but this dip seems enticing from a longer-term vantage point. Personally, I'd stash the name on my watchlist should the dividend yield approach 4%. I think BMO stock is misunderstood and is being unfairly dragged down by an aggravated Mr. Market.

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