



## Should You Buy Bank of Montreal (TSX:BMO) on the Dip?

### Description

In late 2021, I'd discussed the impressive rebound the [Quebec economy](#) had put together. Quebec's economic growth managed to outpace all its peers in 2021. This came after the province suffered some of the worst losses in 2020, as it battled the beginnings of the COVID-19 pandemic. Today, I want to zero in on a top Quebec-based bank: **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)).

BMO and its peers have run into some turbulence in the beginning of the spring. Should investors be eager to jump on a [potential discount](#), or are there stormier conditions on the horizon? Let's dive in.

### Why has Bank of Montreal stock lost momentum in April?

Shares of Bank of Montreal have dropped 6.1% month over month as of close on April 14. The stock is still up 1.5% in the year-to-date period. Bank of Montreal and its peers saw their earnings bounce back nicely in 2021, and the top bank stocks responded in kind. However, there is a sense of anxiety in Canadian and global markets.

Canada and many of its allies in the developed world are contending with inflation rates not seen in decades. This has spurred policymakers into action. The Bank of Canada (BoC) triggered its largest single-day rate hike in over two decades last week. That is not expected to be the last rate hike in 2022, either. Investors need to prepare for this tightening cycle.

### What should investors expect ahead of its next batch of earnings?

Back in February, I'd looked at some of the [top bank stocks](#) to buy ahead of the first batch of earnings to be released in 2022. Bank of Montreal was one of the top bank stocks I'd targeted. It released its first-quarter 2022 results on March 1. Indeed, the bank stock did enjoy a nice uptick. Shares of BMO have steadily declined since reaching a 52-week high in the middle of March.

Investors can expect to see the bank's second-quarter 2022 earnings on May 24. In Q1 2022, Bank of Montreal delivered adjusted net income growth of 27% to \$2.58 billion. Meanwhile, adjusted earnings per share also jumped 27% to \$3.89. BMO benefited from a huge dip in provisions set aside for credit losses. Moreover, it was bolstered by very strong volume growth in its Canadian and United States Personal and Commercial Banking segments.

Canadian stock markets may experience turbulence, as the BoC pursues rate tightening. However, top Canadian banks are still well positioned to deliver strong profits in this climate. Indeed, rate increases should improve profit margins. This will be accentuated, as banks have delivered massive loan growth over the past decade.

## Should you buy Bank of Montreal stock today?

Bank of Montreal stock currently possesses a very favourable price-to-earnings ratio of 11. It is trading in attractive territory compared to its industry peers. Moreover, it boasts an immaculate balance sheet. BMO last announced a quarterly dividend of \$1.33 per share. That represents a 3.7% yield.

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