



## The Best Bank Stock to Buy Right Now

### Description

[Canadian bank stocks](#) are going through a rough patch in the stock market. Canadian investors who missed the massive rally that the country's top financial institutions put up after pandemic lows might be wondering whether these assets could be undervalued right now.

Today, I will discuss the market outlook for the Canadian banking sector and see whether one of them might be worth adding to your investment portfolio.

### The market outlook for bank stocks

Canadian banks have proven themselves to be profitable businesses in almost any economic environment throughout history. That said, there are certain periods that prove to be more profitable for the banking industry than others. The banks are also not immune to headwinds that can impact their performance in the stock market.

Canadian bank stocks have sold off considerably in the last few weeks amid a broader pullback in the stock market. Many analysts and investors are worried that the anticipated profits these institutions stood to make might not materialize. The uncertainty regarding their performances has caused their performance dip in recent weeks.

The Bank of Canada and the U.S. Federal Reserve have set plans in motion to control red-hot inflation rates. Introducing several interest rate hikes might help bring inflation under control.

However, many economists believe that the central financial institutions took too long in taking this action, and they might need to increase interest rates by far more and over a longer time span to be effective in accomplishing their goals.

A recession is inevitable, according to critics. There are also fears that inflation could remain persistently high, despite a weakening economy, making matters worse. April saw Canada's inflation hit a 31-year high of 6.8%, and the situation in the U.S. was worse. The inflation rates in the U.S. have hit a staggering 8.3%.

The market outlook appears to be bleak. A substantial downturn in economic markets could force businesses to scale back their operations, leading to a hike in unemployment. Unemployment levels have recently been at their lowest levels in decades since the post-pandemic recovery.

Many companies are struggling to fill positions across all industries, so it seems unlikely that there will be a significant jump in job losses.

Higher mortgage rates due to soaring bond yields and rising interest rates could cause the housing market to cool down. However, a meltdown in housing prices could leave Canadian banks stuck dealing with loan defaults, forcing them to sell for less than the mortgage values and resulting in substantial losses. The next few months could be full of volatility for the broader economy.

## Foolish takeaway

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) might be an ideal bank stock to invest in amid the current situation. BMO is an \$85.42 billion market capitalization Canadian financial institution that recently announced massive acquisitions across the border to expand its presence in the U.S.

Canadian banks have started increasing their presence in the U.S. to capitalize on the long-term expansion of the American economy and bring more revenue into Canada to diversify their earnings streams.

BMO stock trades for \$130.92 per share at writing, and it boasts a 4.06% dividend yield. The bank stock has shown resilience throughout history during harsh economic environments. It has a wide economic moat to ride out the wave of volatility expected in the near future. BMO stock trades for a 14.83% discount from its all-time highs at current levels. It might be worth adding to your portfolio right now.

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