1 Top Canadian Stock to Buy for Your TFSA

Description

The Canadian stock market has been through a lot this year. The **S&P/TSX Composite Index** is down by 12.40% from its 52-week high at writing. The Canadian benchmark index is up by 6.15% since July 14. While the last two weeks have shown signs of improvement reflected in the benchmark index, many stocks across the board still trade at considerable discounts.

Canadian investors with contribution room in their Tax-Free Savings Accounts (TFSAs) still have the opportunity to pick up shares of high-quality Canadian stocks for attractive prices. If you are new to stock market investing, now might be the perfect time to add a few stocks for beginners that offer relatively safe returns to your TFSA portfolio for long-term and tax-free wealth growth.

Today, we will discuss one Canadian stock you can consider adding to your self-directed TFSA portfolio for this purpose.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is a $127.86 billion market capitalization Canadian multinational investment bank and financial services. The Quebec-based financial institution is among the Big Six Canadian banks and boasts a lengthy track record for paying its investors their shareholder dividends. BMO was among the first publicly traded Canadian companies to start distributing its profits to investors.

Bank of Montreal has been paying its shareholders their dividends for the last 193 consecutive years without fail. It is a remarkable achievement by the company considering the fact that it has managed to continue paying out, despite several global economic crises and two world wars. The bank has continued paying its shareholders throughout the pandemic.

BMO's board hiked its dividend payouts by 25% toward the end of 2021 when restrictions were lifted, and it recently announced another raise to its payout after its second-quarter report for fiscal 2022. The bank's ability to deliver dividend hikes despite the broader economic environment shows that its management is confident in the institution's ability to improve its profitability in the coming years.

The dire economic situation

The persistent inflationary environment and series of interest rate hikes by central banks in Canada and the U.S. led to fears of an impending recession. Stock market investors giving into the recessionary fears, began selling off bank stocks. Rising living costs are impacting individuals of all ages, and the interest rate hikes designed to cool down inflation are making matters worse.

While the stock market has the tendency to surprise everyone from time to time, the market is likely headed toward a recession. Loan and mortgage costs will continue to rise as the Bank of Canada (BoC) and the U.S. Federal Reserve continue increasing benchmark interest rates.

Highly leveraged borrowers might struggle to pay down their debts to lenders like BMO. Higher loan defaults could negatively impact lenders.

Foolish takeaway

There may be significant challenges ahead for the Canadian banking sector, but BMO might be well positioned to power through the uncertainty ahead. The bank's liquidity is strong right now, and it is in the middle of a deal to acquire the U.S.-based **Bank of the West** in a deal worth US$16.3 billion.

Successful completion of the deal can significantly expand BMO's presence in the U.S. and unlock substantial long-term revenue growth for the Canadian bank.

BMO stock trades for $127.86 per share at writing and boasts a juicy 4.35% dividend yield. Trading for a 17.22% discount from its 52-week high, BMO stock could be an excellent addition to your TFSA portfolio at current levels to capture high-yielding dividends and long-term capital growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/09/12
Date Created
2022/08/01
Author
adamothman