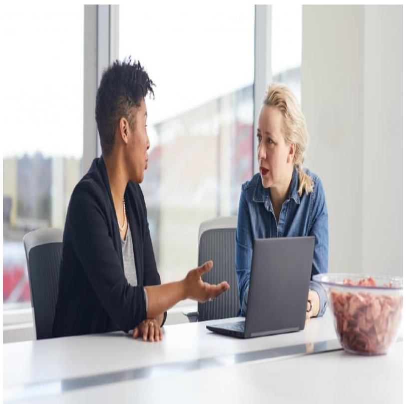

My Favourite Bank Stock is a Top Buy in This Bear Market

Description

Bear markets and recessions happen every so often. They don't need to cause Canadian investors to panic or hit the sell button. The first-half market sell-off was one of the worst investors have had to face in a while, thanks in part to the bursting of the speculative bubble across many unprofitable growth companies. This is highly unlikely to be the last bear market you'll encounter on your multi-decade-long investment journey. In fact, you can expect one every three years. Recessions, downturns, and other market mayhem are the bumps in the road that investors should expect prior to every buy decision.

Indeed, long-term investors should stay aboard as their portfolios run over the big bumps. It's near-term traders or those that need to hit performance targets who may need to take action when the market waters get rough.

If you're a long-term investor, now's a great time to add to the resilient stocks that you love. Sure, they face a bit of earnings erosion (or at least a lot of them may). However, with so much pessimism already baked into the markets, I think expectations are quite low.

For the second quarter, earnings have been a mixed bag. We've seen some pretty mediocre results being rewarded with solid upside from upbeat investors. That's a sign of an oversold market in my book. Whether or not such bullish activity continues in the third quarter is a big question mark. September may be a seasonally volatile period for markets. That said, volatility doesn't have to be your foe if you can use it to buy the dips.

Dip-buying may seem "dead" in that you won't get a big bounce in the following days. For long-term investors looking to build wealth over the next five years, though, I do think dip-buying is alive and well.

Currently, **Bank of Montreal** (TSX:BMO)(NYSE:BMO) looks like a great bargain on the dip.

Bank of Montreal

Bank of Montreal is a terrific blue-chip banking behemoth that doesn't always get the respect it deserves from investors. Yes, there's a tougher environment up ahead, as rates rise, pushing the economy into a slowdown or recession. Indeed, a recession is a scary word, especially when it comes to banks. The big banks tend to slide really fast in the face of a downturn. Those 40–50% drawdowns are quite common.

Still, BMO stock is incredibly well-managed and has been taking advantage of the recent 25–35% slide in the banking scene. Recently, the bank's asset management division brought on dozens of portfolio managers and other experts from **CI Financial**. BMO's wealth management business is incredibly robust, not just with active management, but with its lineup of ETFs (Exchange-Traded Funds) tailored to specific passive investor needs.

At writing, BMO stock trades at 7.1 times trailing price-to-earnings (P/E), well below the five-year average P/E of 11.8. With such a considerable discount, a lot of recession weakness seems already factored in, leaving considerable three-year upside should the recession prove short-lived.

The Bottom Line

BMO isn't immune from a recession's earnings-eroding impact. That said, the stock looks to have mostly sold off in the face of the slowdown. With strength in its wealth management business and terrific managers, I'd not bet against a bank that has a history of skyrocketing very sharply off of steep bear market plunges.

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joefrenette