



## Should You Invest in Bank of Montreal Stock Now?

### Description

[Bank stocks](#) have performed poorly for most of 2022 after a roaring start to the year. Investors who missed the big rally off the 2020 lows are now wondering if the banks are [undervalued](#) and which ones might be good to buy for a [Tax-Free Savings Account \(TFSA\)](#) or [Registered Retirement Savings Plan \(RRSP\)](#) portfolio.

Let's take a look at **Bank of Montreal** ([TSX:BMO](#)) to see if it serves to be on your buy list today.

### Economic outlook

Investors are concerned that the Canadian and U.S. economies are headed for a deep recession in 2023 or 2024. Inflation remains high in both countries despite efforts by the Bank of Canada and the U.S. Federal Reserve to get it under control. Inflation is a measure of the year-over-year change in prices for a basket of goods and services. In Canada, inflation came in at 6.9% for September. It was 8.2% in the United States.

The central banks are raising interest rates in an effort to cool down the overheated post-pandemic economy. Higher food, gas, and utility costs are already forcing households to curb discretionary spending. Investors fear the added hit from rising borrowing costs could ultimately push businesses and property owners with weak balance sheets (excessive debt), over the edge and into bankruptcy. If too many companies or households get into deep financial trouble, property prices could tank amid a sharp rise in unemployment that forces a wave of listings. This would be bad news for Bank of Montreal and its peers if house prices plunge below the amounts owed on the properties.

For the moment, economist broadly anticipate a shallow and short-lived recession in both Canada and the United States. Assuming they are correct, Bank of Montreal stock looks oversold.

The share price is \$123 at the time of writing compared to more than \$150 in March.

## Dividends

Investors who buy BMO at today's price can pick up a 4.5% dividend yield. Bank of Montreal increased the dividend by 25% near the end of last year when the government ended the pandemic ban on dividend increases at financial institutions. The board then raised the payout by another 4.5% in the spring of 2022.

Bank of Montreal has paid investor a dividend every year for nearly two centuries. That's a great track record to consider when looking for a buy-and-hold stock for a TFSA or RRSP portfolio.

## Growth

Bank of Montreal is using a good chunk of the excess cash it built up during the recession to buy Bank of the West in California for US\$16.3 billion. The deal expands Bank of Montreal's American business by more than 500 branches. Bank of Montreal has slowly built up a large banking operation south of the border through various acquisitions over the past 40 years.

## Should you buy BMO stock now?

Additional downside could be on the way in the coming months, but BMO stock looks oversold right now for a buy-and-hold retirement portfolio.

Investors can collect a decent dividend yield and look forward to ongoing payout hikes to boost the return on the initial investment. At the current share price, there is also opportunity for meaningful capital gains once the economy gets through the coming downturn and back on sound footing.

### CATEGORY

1. Bank Stocks
2. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News

9. Yahoo CA

**PP NOTIFY USER**

1. aswalker
2. kduncombe

**Category**

1. Bank Stocks
2. Investing

**Date**

2025/09/28

**Date Created**

2022/10/24

**Author**

aswalker

default watermark

default watermark