



## Should You Buy BMO Stock or TD Stock for U.S. Exposure?

### Description

**Bank of Montreal** ([TSX:BMO](#)) and **TD** ([TSX:TD](#)) are making large acquisitions in the United States to drive future revenue and profit growth. Investors are wondering if one of the [bank stocks](#) is [undervalued](#) today and a better buy to benefit from an expansion of the American economy in the coming years.

### Bank of Montreal

Bank of Montreal is buying **Bank of the West** for US\$16.3 billion. The deal is Bank of Montreal's largest acquisition in the United States and extends a growth strategy in the country that dates back to the early 1980s when Bank of Montreal purchased Harris Bank.

Bank of the West will add more than 500 branches to the existing BMO Harris Bank operations and will result in Bank of Montreal having a presence in 32 U.S. states. About 70% of Bank of the West's deposits are located in California. The deal gives Bank of Montreal a solid base in the state, which has a population that is about 40 billion. That's more than all of Canada.

Bank of Montreal stock is down more than 14% in 2022. The share price recently slipped on news of a large share sale that is expected to bring in more than \$3 billion upon the closing of the private placement component. The bank said the funds will be used to shore up the capital position to meet an increase in capital requirements that is coming for the Canadian banks in the early part of next year.

The stock was offered at \$118.60 per share. This isn't too far off the 2022 low around \$114.

Bank of Montreal raised the dividend by 25% late last year and increased the payout by another 4.5% in 2022. The dividend currently provides a 4.75% dividend yield.

### TD

TD is making two acquisitions south of the border. The purchase of **First Horizon** for US\$11.3 billion will add more than 400 branches in the southeastern part of the country. TD's existing U.S. business is

primarily focused on the east coast with branches running from Maine right down to Florida. The all-cash deal brings about \$89 billion in assets and 1.1 million new customers across 12 states. Upon closing of the deal TD will become a top-six bank in the American market.

TD is also purchasing **Cowen**, an investment bank, for US\$1.3 billion. The deal will beef up TD's capital markets group, which has traditionally been smaller than the operations at some of its peers.

TD raised its dividend by 13% late last year but has not increased the payout in calendar 2022. Investors could see a decent increase next year once the acquisitions close.

TD stock is down more than 12% in 2022. At the current price near \$86, investors can get a 4.4% yield.

## Is one a better buy?

Bank of Montreal and TD should both be solid buy-and-hold picks to get exposure to U.S. economic growth. However, the surprise share sale at a low price by Bank of Montreal is somewhat concerning, so I would probably make TD the first choice today.

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**Date**

2025/08/11

**Date Created**

2022/12/16

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