This TSX Stock Is Delightfully Cheap and Pays a Monster Dividend

Description

It's not easy to be a net buyer of securities these days, with the 60/40 (60% stocks, 40% bonds) portfolio enduring one of its worst years in recent memory. Undoubtedly, buying in a bear market entails pain. Just how much pain remains the million-dollar question. Eventually, the bear will end, and stocks will be back to climbing higher on the back of earnings. For now, investors are worried that the next quarter could hold a recession.

The implications on earnings are unclear. Regardless, many bearish folks out there don't seem to be willing to give firms the benefit of the doubt. Not when the U.S. Federal Reserve is showing no signs of taking a dovish tilt. Even without any dovish stance, I think the best-in-breed stocks can continue moving higher, even as the macro tides continue to weigh.

Cheap stocks with dividends may be best bets in a recession

At the end of the day, it's earnings and solid company-specific management that can help companies overcome tough environments. Though a recession may be viewed as a negative, there are individual companies out there that can take market share away from rivals while continuing to keep earnings growing at a steady pace.

Further, recessions may be a time to take a step back to consider the long-term picture. By focusing on operational efficiencies, firms can focus on improving margins. Such margin efforts could lead to long-lasting enhancements that could outlive this recession and bear market.

In this piece, we'll have a look at one dividend payer that's trading at a pretty enticing multiple. The firm also has the ability to hold its own once the recession arrives. Even as the bear continues to eat away at coming quarters, I think the valuation and expectations are low enough to make for a compelling risk/reward scenario for those with investment horizons of at least 10 years.

Indeed, low returns could plague us for another year or two. With that in mind, dirt-cheap stocks with juicy dividends could be key to achieving the best results in an era where growth no longer excites your average investor.

BMO stock: A top TSX Canadian bank stock with a rock-solid dividend

Consider shares of **Bank of Montreal** (TSX:BMO), a Canadian banking underdog that's poised to continue expanding south of the border. Indeed, U.S. banking has served as a great growth outlet for the Big Six Canadian banks. As a U.S.-heavy bank, BMO is arguably one of the most intriguing long-term growth stories in the banking scene.

Recently, a BMO analyst stated that "flat is the new normal" for shares of the Canadian banks. Indeed, many Canadian investors are familiar with the flat ride over the past five years. Over the timespan, BMO stock clocked in around 20% in gains. Indeed, the "flat" ride may not be exciting by any stretch of the imagination. However, I think the swollen dividends make for tempting buys, especially after dips.

BMO stock is down 20% from its recent peak. The dividend is now flirting with 5% (currently at 4.7%), with a 6.09 price-to-earnings multiple. That's incredibly cheap for a dividend juggernaut that's continued to keep spoiling investors in a recession year.

Further, I'd argue BMO is one of the Canadian banks that could overcome the "flat" performance, thanks to prudent mergers and acquisitions. The acquisition of Bank of the West is one of many deals that can help BMO gain a bit of ground on peers, which are likelier to flatline.

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