



Is Canadian National Railway Company Back on Track?

Description

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#)) is a wonderful business whose stock you can buy and hold for many decades. The stock has been quite volatile over the last few years, but now it has a steady trajectory upward. Is the stock going to continue with the upward momentum? Or are there things that will drag it down as we head into the latter part of 2017?

The Canadian economy has been mixed for the last few years, and despite being correlated to this economy, Canadian National Railway held its ground rather well. Even with lower volumes, the company still performed decently thanks to the terrific management team now led by CEO Luc Jobin. The management team knows the ins and outs of the business very well, and that's a huge reason why operational costs have gone down over time.

Canadian National Railway is a dividend-growth king, and the management team is constantly looking for ways to drive profitability, regardless of how the Canadian economy is doing. This is why Canadian National Railway is always a great pick; you get top-notch managers to go with fantastic assets which have one of the widest moats out there.

The company was able to decrease labour costs by 7% for the fiscal year 2016 and was able to improve the operating ratio by 0.6% for the fourth quarter, despite a mixed economy. Although investors weren't impressed by the company's earnings numbers, the improvements to the long-term operational efficiency are a reason to be optimistic. I believe volumes can only go up from here, especially considering how Canada will benefit from a strengthening U.S. economy under President Trump.

President Trump can be considered two-sided sword. He'll encourage higher volumes for the rails, but he could also put a border tax in place, which wouldn't be great for Canadians looking to ship their goods across the border.

Will a border tax stop goods from being shipped across the border? I really doubt it. With a stronger American economy, more Canadian resources will need to be shipped south, and this is great news for Canadian National Railway since it has a great network in the U.S. which spans all the way down to

the Gulf Coast.

Many investors believe that Canadian National Railway is expensive at current levels, but I think it's a great buy now, especially considering the fact that volumes may be going up over the medium to long term. When combined with the fact that the company is becoming more efficient by the day, the next dividend increase could be the most generous one yet.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/24

Date Created

2017/03/14

Author

joefrenette

default watermark

default watermark