



1 Stock to Benefit from Stronger Global Economic Growth

Description

Optimism surrounding the outlook for the world economy continues to grow. Recently, the International Monetary Fund, or IMF, lifted its growth projection for 2017 to 3.6%, or 40 basis points higher than the 3.2% reported for 2016. This came after an improving outlook for developed economies — notably, Japan, the Eurozone, and emerging economies. While that has weighed heavily on gold, causing it to pull back sharply in recent weeks, it is a boon for those companies that own and operate infrastructure critical to global economic activity.

One of the best stocks to consider is **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)), which operates the only transcontinental rail network in North America. Not only does it possess a wide, almost unassailable economic moat, but it operates in an oligopolistic market, allowing it to act as a price maker rather than a price taker.

Now what?

The strength of Canadian National's operations can be seen from its solid third-quarter 2017 results, where revenue popped by 7% year over year, operating income was up 4%, and adjusted net income rose 2%. Then there was the whopping 33% year-over-year spike in free cash flow for the first nine months of 2017. Those results can be attributed to higher bulk freight transport volumes triggered by growing overseas demand for frac sand, grain, coal, and petroleum.

The solid results for the first nine months of 2017 allowed Canadian National to reaffirm its 2017 earnings guidance, meaning that at least an 8% lift in earnings per share is expected when compared to 2016.

As the global economy strengthens, the demand for key commodities, including metals, coal, crude, and grain, will expand. That will support further earnings growth for Canadian National, particularly because the demand for coking coal is expected to remain firm.

You see, while China's economic outlook is somewhat subdued, India's economy is expanding at a rapid pace, having outpaced China to become fastest-growing major economy globally. According to the world's largest diversified miner **BHP Billiton Ltd.**, that will [support demand](#) for coking or steel-

making coal. This is important to note, because North America's largest producer of coking coal, **Teck Resources Ltd.** ([TSX:TECK,B](#))([NYSE:TECK](#)), which has all of its coal mines located in Canada, is ramping up production to take full advantage of higher coking coal prices.

The vast distances in North America coupled with rail's ability to move vast tonnages of freight with relatively low energy consumption make it a more efficient and environmentally friendly means of freight transportation than road. For these reasons, Canadian National will experience further strong growth because rail remains the only cost-effective means of transporting large volumes of bulk freight such as coal.

So what?

Each of these factors indicates that Canadian National will be able to continue rewarding investors through its impressive dividend-payment history by supporting the planned 10% increase in the annual dividend for 2017. The critical nature of Canadian National's transportation infrastructure coupled with the steep barriers to entry for the rail industry will ensure that it remains the dominant player in bulk freight transport for some time to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. NYSE:TECK (Teck Resources Limited)
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