



TSX Plunges ~7% in a Month: It's Time to Get Greedy. Start With This Severely Undervalued Canadian Stock

Description

Most Canadian stocks didn't participate in the massive rally that U.S. stocks experienced last month, but still, they're getting beaten up. As unfair as this may sound, I believe it's an incredible opportunity for all investors to buy into Canada. For those who can see through the cloud of marijuana smoke, there are incredible buying opportunities scattered across the TSX for investors who can put the "doom-and-gloom" sentiment behind them and instead focus on individual businesses.

The U.S. markets were surging out the gate to start the new year, while the TSX continued to lag. It was a frustrating experience for many Canadians, but I [strongly urged](#) investors on this side of the border to stay the course with their Canadian holdings and not to chase red-hot returns that our neighbours to the south have been enjoying over the past month.

For smart investors who can think long term, who aren't enticed by jumping in and out of "sexy" plays, there's a way to profit off the short-term thinking of others. As crypto, cannabis, and the broader stock market continue to free fall, there are stocks of wonderful Canadian businesses that are unfairly taking a hit on the chin.

Canadian National Railway Company (TSX:CNR)(NYSE:CNI) is one such business that's been tossed aside by investors over [political fears and excessive pessimism](#) over the Canadian economy in general. NAFTA rip-up or not, CN Rail is trading at a 13.3 times trailing earnings with a dividend yield that's just south of 2%. Yes, you heard that right; this wide-moat, dividend-growth king is the cheapest it's been in a very long time!

The stock's 13.3 trailing price-to-earnings multiple and 10.7 price-to-cash flow multiples are both considerably lower than the company's five-year historical average multiples of 19.5 and 13.6, respectively. When you consider the bigger picture, this is nothing more than a blip in the grander scheme of things, so investors shouldn't get rattled as the stock continues on its negative trajectory. The fundamentals are still sound, and there are ample tailwinds that could drive the stock much higher after the dust has a chance to settle.

At these levels, it feels as though Donald Trump has already ripped up NAFTA, but he hasn't yet, and I personally think a deal will be struck that's a lot better for Canada than most are predicting. At these levels, given company's gigantic moat, CN Rail is too cheap. I've personally been buying on the recent dip and would encourage other value hunters to do so as well.

Bottom line

U.S. stocks are getting crushed. You can point the finger at Donald Trump or cryptocurrencies, but the fact of the matter is, Canadian stocks are getting unfairly pummeled, and that's creating a major buying opportunity for those who still have cash in hand. Buy the dip, but cautiously, as global stocks are likely to get crushed (whether it's warranted or not).

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