1 Cheap but Wonderful Dividend-Growth Stock to Buy as Markets Correct

Description

The recent market correction was sudden. As of writing, the U.S. markets are close to where they were to start the year. While the Dow Jones Industrial Average suffered two +1,000-point-decline days last week, the TSX also pulled back to a lesser extent versus our neighbours south of the border; however, it's noteworthy that the TSX hasn't participated in any sort of sustainable rally past all-times highs.

Have a look at the long-term picture, and you'll see that the TSX is right back at the levels it was prior to the Financial Crisis. Basically, the TSX has gone nowhere since the pre-recession peak, and if you've owned the **S&P/TSX Composite Index** (TSX:^GSPTSE) over the past 10 years, you're probably feeling that investing in Canada just isn't a way to achieve your long-term investment goals.

Despite recent pessimism over Canada as a place to invest, I think Canadians will fare far better in the correction we're experiencing now, which has likely not ended yet.

Why?

One could argue that the TSX has already been in "correction mode" over the past decade when you consider the fact that stocks have been on a roller coaster between 12,000 and 15,000, ultimately not moving much higher than its pre-2008 levels. The TSX was one of the worst performers over the last decade, but fortunately for Canadian investors, past performance is not an indicator of future results!

Even after the recent correction, cheap and wonderful U.S. stocks are few and far between. But here in Canada, there are a tonne of them if you know where to look. Here's one that I believe is among the best of bargains:

Canadian National Railway Company (TSX:CNR)(NYSE:CNI)

When's the last time you remember CN Rail trading at 13 times trailing earnings with a dividend yield close to 2%? The P/E and dividend are at the most attractive levels they've been in quite some time, and that's usually a sign that this dividend-growth superstar is trading at a profound discount to its intrinsic value.

The rails are a business you can comfortably buy on any dips because, in the grander scheme of things, any blips in the chart of CN Rail are nothing more than a temporary roadblock — not a sign that the business has derailed. NAFTA fears and market-wide panic have caused shares of CN Rail to become oversold, so if you're looking for a wonderful stock to add to your shopping list, CN Rail should definitely be one of the names at the top!

Although the TSX has gone nowhere over the last decade, CN Rail shares have more than tripled, not including the growing dividends you'd receive on a regular basis! Over the last 10 years, CN Rail has grown its dividend from $0.46 per share annually in 2008 to ~$0.46 per share quarterly, nearly quadrupling over the course of a decade.

CN Rail is North America's most efficient railway, and this isn't changing just because Trump wants a "better deal" from Canada when it comes to cross-border trade. It's not too difficult to beat the market with a sound name like CN Rail at the core of your portfolio, especially if you can pick it up at a tremendous discount.

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