Don’t Try to Time the Market! 1 Stock to Hold for the Long Run

Description

Timing the market is not impossible. I’ve timed it immeasurable times. In fact, I have hardly ever made a purchase or sale where my timing wasn’t absolutely impeccable. Unfortunately, when I time the market as a trade, I get it absolutely wrong.

Yep, every time I get my timing predictions pretty much bang-on wrong. However, while you can never time the market in the short term, barring some major stroke of luck, you can choose to buy shares of good companies that are trading a reasonable price and hold through the good times and the bad. It is possible to determine what these solid companies are, set a percentage of your portfolio you are willing to dedicate to the company — a good rule of thumb is 5% of your core portfolio — and hold on for the long run.

Canada has a number of excellent companies that are worth holding for a long time. One that should be a part of any Canadian investment portfolio is **Canadian National Railway** (TSX:CNR)(NYSE:CNI). CNR has been chugging along for decades, giving investors healthy dividends and great capital appreciation at the same time.

Railroads are not as exciting as high-flying tech stocks. But these companies are solid and continue to perform, as CNR’s latest results proved once again. Growth was quite good in the second quarter, with net income increasing by 27% and diluted earnings per share increasing 30%. Revenue increased as well by 9%, demonstrating the increasing demand for CNR’s services

Increasing commodity prices drove much of the increased revenues and freight volumes. As prices for these products such as oil, gas, and base metals increased, so did supply, driving up prices. Unfortunately, CNR was also impacted by decreased demand for auto parts, as freight volumes in this sector slowed down. The good news is that railway companies like CNR have been around for an incredibly long time — over a hundred years in the case of this particular company. It has seen numerous ups and downs over that period and has come out stronger each time. In this case, history provides some assurance that the company is likely to be around in the future.

If a downturn does come, look to the dividend for some comfort. CNR pays a rather paltry-looking dividend yield of 1.5% at the current share price, but don’t let the percentage trick you. This company has been raising its dividend for the year, with the last raise being a double-digit 10% increase in January. And the only reason that the dividend looks low at the moment is due to the fact that CNR’s share price has increased substantially over the years.

What my experience with timing the market has taught me is that there is no way to get it right. In fact, more often than not it feels like the market has a personal vendetta against you. But the truth is thatthe market has no feelings. It simply does not care about you. You are a drop in the ocean, and that isall. So, don’t guess and don’t try to time the market when it comes to your core portfolio. Invest a percentage of your core portfolio in these solid companies, add to the positions if the stocks fall, and trim them if they rise to become too great a portion. Keep your core in good shape and the overall health of your portfolio will be much healthier.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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