2 Top Canadian Stocks to Buy When the Market Tanks

Description

Savvy investors know that market pullbacks tend to create attractive opportunities to buy top-quality stocks.

This is especially true with industry leaders that have strong track records of delivering rising earnings and dividend growth.

Let's take a look at two stocks that deserve to be on your radar in the event the market goes through a serious correction.

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

CN is an essential part of the Canadian and American economies, transporting a full range of raw materials and finished goods to and from ports on the Pacific and Atlantic coasts in Canada and right through the heart of the United States to the Gulf of Mexico.

The vast rail network is unique in the industry, which gives CN a competitive advantage that's unlikely to change.

The company still has to run a tight ship and is spending $3.5 billion this year on new locomotives and cars, rail line upgrades, and investments in yard and hub improvements. That's a significant chunk of cash flow being reinvested back into the business, but CN is a free cash flow machine and is good about returning profits to investors.

In fact, the company's compound annual dividend growth rate over the past two decades is better than 15%.

The ongoing oil pipeline bottlenecks are driving demand for crude-by-rail deliveries, and CN is set to receive a large chunk of that business. Strong economies in Canada and the U.S. also bode well for the company's wide array of business units.

The stock rarely goes on sale, and pullbacks have historically proven to be great buying opportunities.

At the time of writing CN trades for $109 per share, which is down from the 2018 high of about $118, but still off the 12-month low near $90.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

Investors searching for a buy-and-hold stock in the financial sector should probably consider TD as one of their top picks. The company is broadly considered the safest choice among Canada's largest banks, primarily due to the focus on retail banking operations, as well as the large presence in the United States. TD actually operates more branches south of the border than it does in Canada.

The strong U.S. economy, combined with rising rates and lower American taxes, provided a nice boost to earnings from the group in recent quarters and that trend should continue.

TD also has a strong track record of dividend growth over the past 20 years and annual increases to the payout should match earnings growth that is targeted at 7-10% per year.

The bank is still not cheap, however, even after the recent pullback from $79 to $74 per share, but you get a top-quality company that should allow you to sleep well at night when the broader market hits a rough patch. Trying to time a bottom with TD isn't easy, so any further dip in the stock price should probably be viewed as a buying opportunity for buy-and-hold investors.

The stock currently provides a yield of 3.6%.

The bottom line

CN and TD are proven top picks for long-term investors. Whenever these companies get caught in a major market downdraft, investors should consider adding them to their portfolios.

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