



## 3 Top Canadian Stocks to Buy on a Dip and Hold for Decades

### Description

Recent weakness in the **S&P/TSX Composite Index** is finally giving investors a chance to pick up a handful of the country's [top stocks](#) at reasonable prices.

Let's take a look at three industry leaders that might be interesting picks.

#### Royal Bank ([TSX:RY](#))([NYSE:RY](#))

Royal Bank earned a record \$3.1 billion in net income for fiscal Q3 2018, representing an increase of \$313 million, or 11% over the same period last year. Diluted earnings-per-share rose 14%.

Personal and commercial banking, wealth management, and capital markets activities all drove earnings higher. Royal Bank is also benefitting from rising interest rates and lower taxes in the United States. The company spent US\$5 billion in late 2015 to acquire City National, a California-based private and commercial bank. The deal looked somewhat expensive at the time, but has since proven to be a wise decision.

Royal Bank recently raised the quarterly dividend by \$0.04 per share to \$0.98. That's good for a [yield](#) of 4%.

The stock has pulled back from \$104 per share in late September to below \$100. This is not a major sell-off, but Royal Bank rarely enters the bargain bin. Any extended dip back down toward the 12-month low of \$96 should make the bank an attractive long-term buy.

#### Nutrien ([TSX:NTR](#))([NYSE:NTR](#))

The merger of Potash Corp and Agrium at the beginning of 2018 formed the world's largest crop nutrients company, now called Nutrien.

With both wholesale and retail operations that supply fertilizer, seed, and crop protection products to governments and farmers around the world, Nutrien is positioned well to help the planet meet rising food demand amid an ongoing loss of arable land due to urban sprawl.

Prices in the sector are improving after a multi-year rout and both Potash and Agrium completed large capital programs before merging, so Nutrien has the state-of-art facilities it needs to compete.

At the time of writing, Nutrien trades for \$73 per share. The stock is already starting to recover after slipping from \$76 in early August to \$70 the middle of October. Management raised guidance twice this year and investors should see a nice increase in the dividend in 2019. The existing payout provides a yield of 2.9%.

Nutrien has the potential to generate significant free cash flow if potash, nitrogen, and phosphate prices move higher in the next couple of years. At the moment, the market might not fully appreciate the upside opportunity.

### **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#))

CP is trading at \$260 per share, down from a recent high of \$290. The company reported strong Q3 2018 adjusted earnings of \$589 million, or \$4.12 per share, compared to \$422 million, or \$2.90 per share in the same period last year. Oil shipments are expected to increase in the coming months and quarters as oil producers search for ways to get their product to market amid ongoing pipeline bottlenecks.

CP's stock price is down on fears that a trade war between the United States and China could hit demand for CP's services, especially through the port in Vancouver. The concern is likely overblown, and any additional downside in the stock could present a great buying opportunity.

### **The bottom line**

Royal Bank, Nutrien, and CP should be solid picks for a buy-and-hold portfolio. If you have some cash on the sidelines, these stocks deserve to be on your radar when the overall market corrects.

### **CATEGORY**

1. Bank Stocks
2. Investing
3. Stocks for Beginners

### **TICKERS GLOBAL**

1. NYSE:CP (Canadian Pacific Railway)
2. NYSE:NTR (Nutrien)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:CP (Canadian Pacific Railway)
5. TSX:NTR (Nutrien)
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aswalker

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