Why These 2 Top Dividend Stocks Are Great Buys Today

Description

There is always a bull market somewhere for investors who have an eye to find it. That optimistic approach can certainly be used for Canada's two top railroad stocks, which are in the middle of their boom time despite a broader weakness in the stock market.

The reason of their upbeat outlook is actually related to the problems faced by Canada's energy producers, which are struggling to move their products to south of the border due to acute shortage of the pipeline capacity in Canada.

The problem is so severe that Western Canada Select crude is trading at a discount never seen before. This month that discount to the U.S. benchmark hit $50 a barrel as producers rushed to sell their oil for less largely because of the higher costs of shipping it by train.

While that oil pipeline shortage is unlikely to be resolved anytime soon, Canada's two railroad companies, Canadian National Railway (TSX:CNR)(NYSE:CNI) and **Canadian Pacific Railway** (TSX:CP)(NYSE:CP), are on the front-line to benefit from this situation.

Surging oil shipments

Canadian Pacific, the country's second-largest railroad, handled about 23,000 carloads of crude in the third quarter, almost tripling the volume from the same period a year ago. That fueled a 63% quarterly climb in revenue from energy, chemicals and plastics — the fastest increase among major commodities at the railroad.

This robust growth in volumes helped CP to report a record adjusted profit of $4.12 a share for the third quarter, while sales surged 19% to $1.9 billion.

CN Rail, the largest railroad, is on pace to carry about 70,000 carloads of crude annually, Chief Financial Officer Ghislain Houle told an investor conference last month. The demand from energy producers is so strong that CN Rail is spending a record a record $3.5 billion to buy new rail cars, add more workers, and improve its western section.

Last week, CN Rail reported the highest quarterly revenues of its 99-year year history, reporting a net income of $1.13 billion in the quarter ended September 30, an 18% year-over-year jump. Third-quarter revenues grew more than 14% to $3.69 billion from $3.22 billion a year ago.

Bottom line

Both CP and CN are great dividend growth stocks for investors who want to buy and hold these names in their portfolio. CN, for example, has paid uninterrupted dividends since going public in the late 1990s. This year, management boosted the quarterly payout by 10% to $0.46 per share, totaling $1.84 annually. CP also raised its quarterly dividend from $0.5625 per share to $0.65 this year.

Despite the recent rally in their stock prices, I see more gains going forward. If you want to add solid dividend and growth stocks to your portfolio, these two names might just be right for you.

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