2 Stocks to Buy and Hold Forever

Description

On October 31, Canada posted better than expected gross domestic product (GDP) numbers. GDP inched up by 0.1% while economists had anticipated no change. The economy is expected to continue its strong run, as analysts expect 0.7% growth in the third quarter. This would match the second quarter's GDP growth.

One industry that tends to do well as the economy strengthens is railroads. On the back of this economic strength, **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) will continue to reward investors.

Strong performance

In times of uncertainty, investors flock to safety. Railroads are largely considered defensive stocks and tend to outperform in bear markets. Case in point: this year has been fraught with large daily price swings. The market has entered correction territory twice this year.

Year-to-date, the **TSX Composite Index** is down 6.53%. CN Rail and CP Rail have bucked the losing trend and have posted yearly gains. After a rough start to the year, CN Rail's share price has gained 7.02% and CP Rail's stock has impressed with a 16.84% gain.

Analysts' expectations

A good place to start to gage expected returns of these two companies is to look at analysts' estimates. True, estimates are by no means a guarantee. However, the reason why they are relevant here is because both railroads have a history of beating earnings estimates.

CP rail has beat estimates in six straight quarters and hasn't missed estimates in almost three years. Prior to its grain bottleneck, CN Rail had also not missed estimates in close to three years. It has since rebounded and beat over the past two quarters.

Analysts expect CP and CN Rail to grow earnings by approximately 16% and 15% through next year. Given analysts' reliability, you can pretty much take this performance to the bank.

Growing dividend

On top of reliable capital appreciation, the railroads can be counted on for consistent income. CN Rail is a Canadian Dividend Aristocrat, having raised dividends for 22 consecutive years. This places it ninth among Canada's most reliable dividend growth companies. The best part? No matter how far back in the streak you look, it has consistently raised dividends by double digits.

CP Rail lost its status as an Aristocrat a few years ago. However, it's important to note that the company did not cut its dividend. It simply failed to raise for a few years as it navigated through operational challenges. It has since returned to dividend growth over the past few of years. In 2016, it raised dividends by 43% as it attempted to make up for its period of dividend stagnation. In 2017 and 2018 it raised dividends by 12.5% and 15%, respectively.

Foolish takeaway

Canada's railroads provide reliable growth and income. They tend to outperform when the economy is strong and in periods of uncertainty. These are not stocks you trade: these are stocks you buy and hold forever.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CP (Canadian Pacific Railway)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:CP (Canadian Pacific Railway)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/21
Date Created
2018/11/04

Author
mlitalien