Is Canadian National Railway Company (TSX:CNR) or Toronto-Dominion Bank (TSX:TD) Stock Attractive Today?

Description

The big names in the TSX Index took a hit in 2018, and bargain hunters with a bit of extra cash are wondering which stocks might be interesting picks for 2019.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) to see if one deserves to be on your buy list today.

CN

CN had an eventful 2018.

The year started out with the threat of operational disruptions due to ongoing contract negotiations. The situation got to the point where the board decided it was time for a new CEO and the change at the top led to a strong finish through the end of the year. New contracts were agreed with CN's employees and the company ramped up its capital program to boost spending on new rail cars to ensure it meets rising demand for commodity shipments.

Net income rose 18% in Q3 2018 compared to the same period last year, with strong performances coming from a number of the company's business segments. CN also continues to be one of the most efficient players in the industry with an operating ratio of less than 60%.

The business is a cash machine, with nearly $1.9 billion in free cash flow generated in the first nine months of 2018. Management saw an opportunity to take advantage of the drop in the share price and increased the stock buyback program for the end of the fourth quarter and into January 2019.

The railway is anticipating strong demand for its services this year, especially in the oil and fertilizer segments. CN bought a trucking company near the end of 2018 that should also bolster capabilities on the intermodal side of the business.

Investors should see a generous dividend increase in 2019. The company has a compound annual dividend-growth rate of about 16% over the past 20 years. The current dividend provides a yield of

1.7%.

CN is an essential component of the Canadian and U.S. economies, transporting $250 billion in goods and 300 million tons of cargo annually.

TD

TD is a major force in both the Canadian and U.S. financial markets. The company focuses heavily on the retail segment of the banking industry — a strategy that has proven very profitable for investors.

TD consistently exceeds its 7-10% per year earnings guidance, which should continue amid strong economic conditions in Canada and the United States. The American business is benefitting from lower taxes, and rising interest rates in both Canada and the United States have also provided a nice boost to net interest margins.

TD has limited direct exposure to the troubled oil industry; while its mortgage portfolio is quite large, the company is more than capable of riding out some rough times in the housing market.

Is one a better bet?

CN and TD are leaders in their industries and should be solid buy-and-hold picks. Both stocks sold off aggressively in 2018 and still appear cheap, even after the recent bounce. If you have some cash on the sidelines, I would probably split a new investment between the two stocks today.

Other top stocks are also worth considering right now.

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