RRSP Investors: Get Ready to Buy the Dips on These Top Forever Stocks

Description

Canadian railways remain in the enviable position of operating in a fundamentally sound industry surrounded by a deep and vast moat that will keep them sheltered from market troubles, at least in the long-term.

Therefore, the railway stocks are good old reliable stocks that investors can rely on and should hold for the long-term, benefiting from dividend income, dividend growth, and capital appreciation.

Perfect long-term holdings for your RRSP.

With high barriers to entry, limited competition, and a sustainable demand profile, these companies are in the driver's seat.

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

CNR stock is trading at all-time highs, and with returns that have blown us away over the short and long-term. While I still like this stock, I think investors should wait to add it on weakness.

Depending what you think about the market in general, which is also trading at highs, it's worth waiting and being patient; buy the dips because this stock is an unparalleled opportunity as the pulse of the Canadian economy.

CN Rail has a five-year compound annual growth rate (CAGR) in free cash flows of 12.5%, and this, in turn, has enabled strong dividend increases.

CN Rail has a 12.7% five-year CAGR in dividends, as the railway is benefiting from strong pricing and a strong operating ratio. The stock has a current dividend yield of 1.71%.

Canadian National Railway is investing in increasing its capacity midst near-term congestion and capacity constraints, and to ensure long-term growth, is also investing in an expansion into complementary businesses with its acquisition of transportation company TransX, and more recently the shipping terminal Halterm.

Canadian Pacific Railway Ltd. (TSX:CP)(NYSE:CP)

CP stock has also rallied to all-time highs, as it too has been seeing strong momentum on the cost side as well as the revenue side.

Canadian Pacific Railway just capped off another strong year that blew past expectations, as improved pricing and an improved operating ratio (operating costs divided by revenue) boosted results.

This top performance has driven a more than 13% five-year CAGR in dividends.

Looking to the first quarter of 2019, volumes were negatively affected as extremely cold weather put a damper on activity, and as CP was not able to handle as much crude by rail volume, as CN Rail due to capacity constraints. This could mean that some short-term weakness is coming, providing us with an opportunity to add the stock to our TFSA.

Final thoughts

CN Rail and CP Rail are reporting on April 29 and April 23, respectively.

These stocks remain solid long-term holdings today and for the foreseeable future. Stocks that will continue to give your RRSP solid *dividend* income and capital gains.

CATEGORY

1. Dividend Stocks
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2. NYSE:CP (Canadian Pacific Railway)
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