Should You Buy Canadian National Railway (TSX:CNR) or Toronto-Dominion Bank (TSX:TD) Stock Right Now?

Description

Investors are sifting through the top stocks in Canada to find reliable picks for their TFSA and RRSP portfolios.

Let's take a look at **Canadian National Railway** (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 rallied from $97 per share in late December to above $127 last week. The stock has since given back a bit of the gains and currently trades at $123.

The company reported solid results for Q1 2019, with revenue increasing 11% compared to the same period last year. Adjusted diluted earnings per share rose 17%, supported by a weaker Canadian dollar compared to the U.S. dollar and improved freight rates per carload in most of the company's business segments.

Petroleum and chemicals led the way with a 25% year-over-year gain in revenue, as Canadian oil producers shipped more crude by rail car to secure better market prices.

CN maintained its guidance for double-digit earnings growth for 2019 and continues to invest the capital required to keep the business competitive and running efficiently.

CN raised the dividend by 18% for 2019, and investors should see steady increases continue. The company has a compound annual dividend-growth rate of better than 16% over the past 20 years.

CN is also buying back up to 22 million of its outstanding common shares under the current NCIB.

The stock was definitely more attractive at $97, and the latest pullback could pick up steam if the broader market continues to correct. However, trying to time the bottom of a correction in CN is probably not wise. A quick look at the chart suggests buying on any dip should prove to be a good opportunity over the long term.

A $10,000 investment in CN two decades ago would be worth more than $220,000 today with the dividends reinvested.

TD

TD just reported solid Q2 2019 results. That’s an impressive feat given some of the headwinds facing the Canadian banks, especially those that are too reliant on the residential mortgage market to drive earnings.

TD’s advantage lies in its large U.S. operations. The company spent billions of dollars to acquire regional banks in the United States ranging from Maine right down the eastern part of the country to Florida. TD is now one of the 10 largest banks in the United States and is benefitting from the strong economy, lower taxes, and the rising U.S. dollar.

The stock is heading higher after the strong fiscal Q2 numbers and is now trading at $76 per share. That’s up from $66 near the end of December but still off the 2018 high around $80.

Management is targeting earnings-per-share growth of 7-10% over the medium term, and that should support ongoing dividend increases. TD raised its quarterly dividend by more than 10% earlier this year from $0.67 to $0.74 per share. Investors who buy today can pick up a yield of 3.9%.

A $10,000 investment in TD stock 20 years ago would be worth more than $75,000 today with the dividends reinvested.

Is one more attractive?

CN and TD should both continue to be solid buy-and-hold picks for a TFSA or RRSP fund. That said, I would probably make CN the first choice today. TD is probably the safest pick among the big banks, but as we saw through Q4 last year, the Canadian banking sector is becoming more volatile, and it wouldn’t be a surprise to see another significant pullback in the group at some point this year.

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2. NYSE:TD (The Toronto-Dominion Bank)
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