RRSP Investors: Should You Buy Bank of Nova Scotia (TSX:BNS) or Canadian National Railway (TSX:CNR) Today?

Description

Canadians are searching for top stocks to add to their self-directed RRSP portfolios.

The best names over the long haul tend to be established companies with strong track records of dividend growth supported by rising earnings.

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

Bank of Nova Scotia

Bank of Nova Scotia reported solid results for fiscal Q3 2019. This was a relief for investors after a string of weak quarters had put the stock under some pressure.

Bank of Nova Scotia went on a buying binge last year, acquiring two wealth management businesses in Canada and a large position in a bank in Chile. The integration expenses caused some of the pain in the past year, as well as the downturn in the Canadian housing market.

The company forked out more than $3 billion to persuade MD Financial and Jarislowsky Fraser to join Canada's third largest bank. The businesses have since been rolled into a new global wealth division, which should help Bank of Nova Scotia compete with its larger peers in the wealth management space.

The $2.9 billion purchase of a major stake in BBVA Chile doubled Bank of Nova Scotia's market share in that country to 14% and is an indication that the bank is keen to grow its presence in Latin America.

Bank of Nova Scotia has invested billions on acquisitions in Chile, Peru, Mexico, and Colombia. The four countries compose the Pacific Alliance trade bloc and are home to 230 million people. The international division now contributes about 30% of total profits.

Bank of Nova Scotia raised the dividend when it announced the fiscal Q3 results. The payout provides a 4.7% yield. The stock is up to $76 from $68 last August, but still sits well below the $84 it reached two years ago.

CN

Canadian National Railway (TSX:CNR)(NYSE:CNI) is all over news in recent days due to a strike by more than 3,000 of its employees.

The company is an essential component in the smooth operations of the Canadian and U.S. economies and rail customers across the country are asking the federal government to step in and get the rail cars rolling. The disruptions is definitely causing grief, and given CN's importance, the strike is unlikely to last very long.

The stock is down on the news, albeit not significantly, suggesting that the market is of the opinion that the situation will be promptly resolved.

In the event that it drags out and the share price takes a sharp dive, investors should consider buying the dip. CN has generated great returns for buy-and-hold investors and pullbacks have historically proven to be great buying opportunities.

CN is very profitable and does a good job of giving some of the earnings to shareholders through stock repurchases and higher dividends. In fact, the board raised the distribution by 18% in 2018 and CN has had a compound annual dividend growth rate of 16% over the past 20 years.

Is one more attractive?

Bank of Nova Scotia and Canadian National Railway should both be strong buy-and-hold picks for a self-directed RRSP. At this point, I would split a new investment between the two stocks and look to add to the CN position if the strike pushes down the share price any further.

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Date
2025/08/24
Date Created
2019/11/22
Author
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