



Why the Strike Proved CN Rail (TSX:CNR) Stock Is a Defensive Buy

Description

For some, the end to the strike couldn't have come too soon, proving just how reliant a number of Canada's major industries are on rail transportation. For investors, the strike showed something else as well: that **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) is a reassuringly solid stock.

With staff going back to their stations Wednesday upon a touch-and-go deal still dependent on ratification, CN Rail stock recovered by a couple of percentage points. The strike lasted eight days and weighed heavily on supply chain networks around Canada. Around 3,200 workers went on strike, causing bottlenecks in essential supplies, such as propane.

It wasn't much of a rally, but then there wasn't much of a dip either. While the industrial action presented a slight buying opportunity on weakness, the resilience of CN Rail's share price proved just how sturdy this stock really is. And the fact that the temporary holdup in service touched so many aspects of the Canadian economy proves another thing: CN Rail is defensively diversified.

A one-stop play on the Canadian economy

A vote within the next couple of months will decide whether the agreement between the union and CN Rail holds. Investors may expect to see a slight improvement in the rail operator's stock if the two sides manage to seal the deal. Indeed, the whole of the TSX may lift a little, since around 50% of the country's exports are reliant on rail for transportation.

From grain to fuel and agri supplies to retail goods, the CN Rail strike made it clear that the Canadian economy [relies on its rail network for its survival](#). The potential blowback could run into the billions in the long run, with everything from staff cuts to fuel bottlenecks triggered by the industrial action.

Whether it's for heating or grain storage, propane was especially high on the agenda. With farmers unable to dry their grain and Quebecers imposing a ration on supplies, the kink in the propane channel joined the crude-by-rail holdup as one of the most impactful aspects of the strike.

CN Rail stock dipped during the strike but remained largely flat. The stock is up 5.7% for the month

and trades 27% higher than its 52-week low. While this has meant that the opportunity to buy on weakness was brief, it bodes well for long-time CN Rail shareholders who may have been concerned about the effect of industrial action.

Paying a 1.75% yield, CN Rail is worth adding to a dividend portfolio of buy-and-hold assets. Though it fell to a three-week low, CN Rail's performance throughout the strike showed that its share price is resilient and would suit a low-risk investor. CN Rail would therefore be suitable for a Registered Retirement Savings Plan (RRSP) or other long-range investment strategy.

The bottom line

Though CN Rail stock dipped during the strike, its resilience makes for [a strong long-term play](#). Diversified across industrial materials, fertilizer, consumer staples, forest products and more, CN Rail is a strong choice for investors seeking to protect and grow their wealth in the long term.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Tags

1. Editor's Choice

Date

2025/08/18

Date Created

2019/11/29

Author

vhetherington

default watermark

default watermark