



CN Rail (TSX:CNR) Is a Must-Buy After Strike Woes

Description

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) stock pulled back 2.2% on Tuesday following unsurprising news that the strike, which has since ended, will have a material negative impact on profitability numbers for the quarter.

The company proceeded to slash its adjusted profit growth target for the year, noting of strike-induced shipment delays that were to be expected. Management now expects adjusted diluted per-share growth in the low to mid-single digits compared to the original high-single-digit expectation.

Amid the strike, CN Rail stock was under pressure because, undoubtedly, it would have hurt profitability numbers for the quarter (and the year). The fact that the stock sold off again on news of the profitability guidance downgrade goes to show that stocks can't help but overreact to news that one would think would already be obvious and thus less material.

Like a pendulum, stocks tend to overswing, either above or [below](#), where a stock's intrinsic value ought to be. And right now, I think the stock has swung far below its intrinsic value range, with shares currently trading at just over 18 times next year's expected earnings and 5.7 times sales.

In a down day in the markets, with recession fears picking up traction following word that President Trump is willing to wait before inking a U.S.-China trade deal, CN Rail stock was bruised far more than it should have been given the near-term damage that was to be expected with the strike, not to mention the already [sluggish](#) state of the Canadian economy.

Now that conductors and yard workers are back on the job, CN Rail can do its best to get operations back on track and relieve the pressures that many localities have been suffering as a result of the strike. The strike only lasted eight days, yet the pain felt by shippers was undoubtedly immense, with supply chains that are now out of sync.

CN Rail, indeed, acts as the backbone of the economy, and anytime it's down, even if it's just for a few days, the Canadian economy goes on life support. This goes to show how massive CN Rail's moat is and why the stock ought to be bought whenever it faces the inevitable bump in the road.

With the lowered bar, now is a great time to initiate a long-term position or add to your stake while CN Rail's yield flirts with the 2% mark.

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Author

joefrenette

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