The Closed Border Won’t Stop This Company!

Description

The longest undefended border on the planet between Canada and the U.S is closing. The border-closing measure, announced today, is aimed to further limit the spread of the coronavirus. The global COVID-19 pandemic has already caused havoc on the market and shuttered millions around the world into self-isolation.

Fortunately, the border isn’t going to be completely closed. Essential travel between the two nations, such as existing trade routes, will remain in place. Speaking about the border closing between the U.S. and Canada, Trudeau noted that “Our governments recognize that it is critical we preserve supply chains between both countries,”

In other words, the border remains open for trade, which would include the **Canadian National Railway** (TSX:CNR)(NYSE:CNI).

Closed border? That’s okay. The railroad will stay open

Canadian National has always been in an advantageous position over many of its peers. Fortunately, that advantage may soon expand further. Canadian National is the only railroad on the continent that has access to three coastlines. That impressive feat is a testament to the massive rail network that Canadian National operates. That network currently stretches from Pacific to the Atlantic and down to the Gulf of Mexico.

Canadian National hauls a massive amount of freight that is near $250 billion annually. What is more important than that total figure, however, is that Canadian National’s freight is highly diversified.

Canadian National hauls everything from automotive components and chemicals to wheat and crude, which means a slowdown in one segment could be offset by growth in another. As consumers continue to stock up on essential items and forego other large purchases, Canadian National’s diversification could prove valuable.

In other words, investors need not worry about Canadian National and the current border closure.

Why invest in a railroad now?

Railroads are critical parts of the North American market. In many ways, railroads act as arteries over the entire economy. This is contrary to the view taken by many investors, who view railroads as remnants of the last century that have no place in our modern world.

In reality, the critical need for railroads translates into a massive defensive moat that few businesses can match. The fact that the border closed between the U.S. and Canada for most traffic should not impact that moat. If anything, it will only strengthen that moat.

By way of example, despite the massive losses in the market, Canadian National has fared much better than the market. So far in 2019, Canadian National has dipped just over 17%, whereas the **S&P/TSX Composite** has dropped well over 25%.

Adding to that defensive appeal is the fact that Canadian National offers investors a quarterly dividend that is both secure and growing. The current yield now stands at 2.40%. The last time that Canadian National's dividend surpassed 2% was during the Great Recession.

In short, yes the market is down, but that pullback has exposed some phenomenal stocks at discount prices. Canadian National is one such stock. Buy it, hold it, and don't panic.

CATEGORY

1. Dividend Stocks
2. Investing

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

Date
2025/07/23
Date Created

2020/03/18
Author
dafxentiou