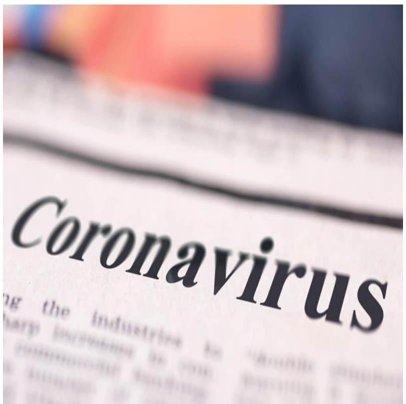


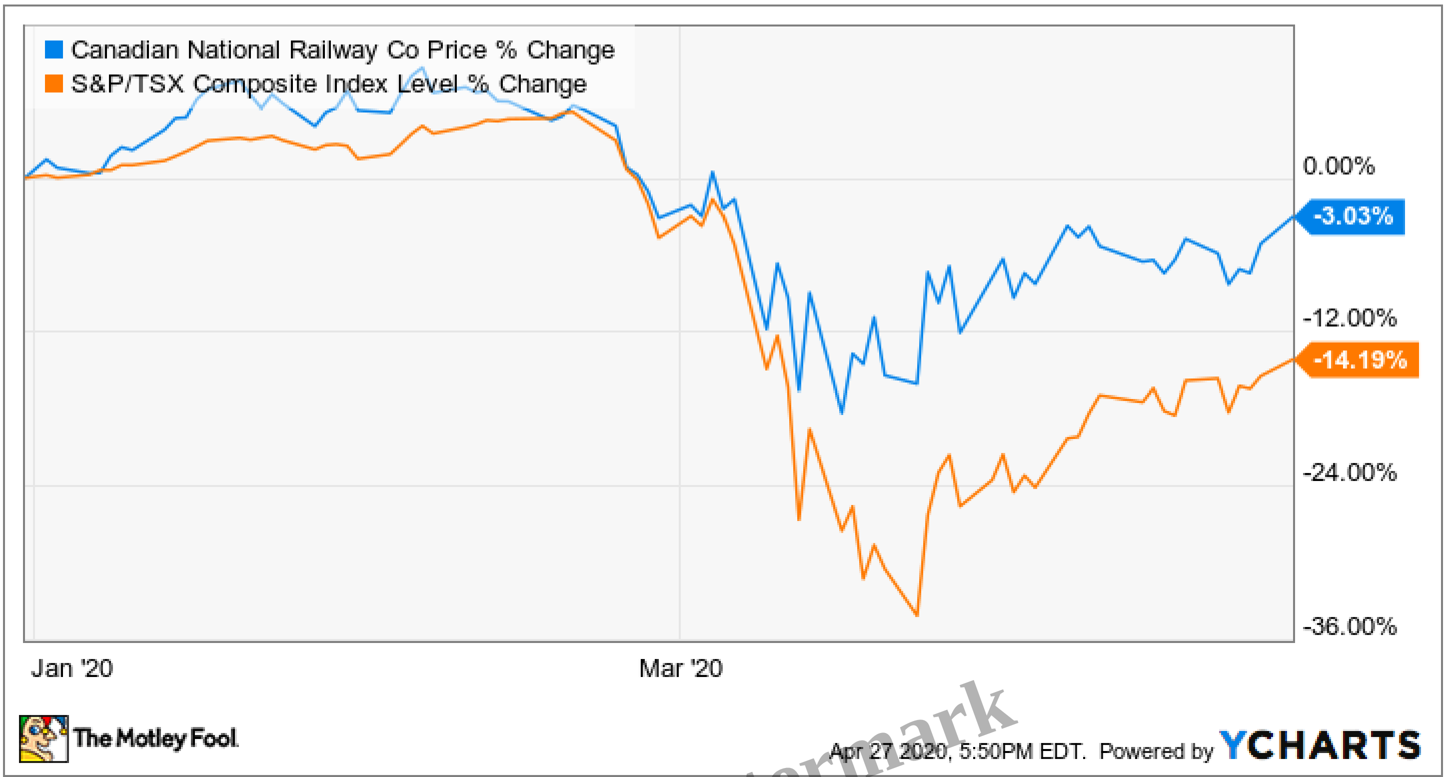
Covid-19 Recession: Top Stock to Buy Now

Description

The COVID-19 pandemic has shattered the North American economy and upended many businesses of all sizes. Even the transportation and logistics companies that facilitate the exchange of critical and nonessential goods feel the pain of the economic contraction.

Many Canadian investors are wondering where to put their cash during this health crisis. While the transportation industry may not be completely safe from the negative Covid-19 economic consequences, your portfolio will still perform better versus the index if you pick the right stocks.

Canada National Railway (TSX:CNR) is no exception in this volatile market. Nevertheless, the share value of this crucial transportation stock has only dipped 3.03% year-to-date, while the **S&P/TSX Composite Index** has nosedived by over 14%. Although Canadian National Railway is still feeling the economic damage of the government-mandated quarantine, the stock is still outperforming the index for the year.



Likely, the effect on transportation has been more muted due to decreasing costs. Some investors may still be bullish on the transportation industry now that gasoline prices have dropped to historic levels.

Should you buy transportation stocks?

The COVID-19 induced recession can't continue indefinitely. At some point, business activity will resume as normal. Thus, the effects on the transportation industry are only temporary.

Moreover, low gas prices signal higher profit margins for companies like Canadian National Railway. Higher profit margins will lead to an increase in free cash flow, signalling higher stock prices. Canadian investors should certainly take advantage of the lower stock prices and buy into railway stocks on the dip.

Canadian National Railway is a great pick because it holds a duopoly with its only competitor, **Canadian Pacific Railway**. These stocks are certain to set your retirement portfolio up for success in the year 2020, despite the market downturn.

Buy stocks with lasting market power

A good way to determine the quality of stocks for your retirement portfolio is to consider the company's competition. Firms with fewer competitors are more likely to have higher profit margins and lower risk of failure. A good question to ask is *how much market share does the company report in sales*?

A recent *Globe and Mail* article quoted a stock analyst with Citigroup Global Markets, Christian Wetherbee, who said, "Currently, 50 percent of the inbound containers CN moves from Canadian ports are destined for the U.S., which is up from [about] 30 percent a few years ago."

Canadian National Railway is quickly gaining ground as the leading shipper of exports to the United States. Hence, this transportation stock foretells strong returns over the long term.

Don't fear temporary stock market dips

You may feel uneasy about trusting your retirement savings to the stock market during this volatile and uncertain time. It's true that Canadian National Railway just withdrew its yearly profit forecast due to the COVID-19 health crisis. Despite this, today remains the best time to get into the stock market while prices are low.

To retire in style in 10 to 30 years, depending on your age, as an astute Canadian investor, you should start becoming more comfortable with risk.

The biggest mistake investors make is to trade on fear rather than evidence. Find evidence to back all your decisions and phone a friend if you still aren't sure.

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