



CN Rail (TSX:CNR): A Top Canadian Stock to Buy in May

Description

There is a fair amount of uncertainty about the [top Canadian stocks](#) that are closely tied with the North American economy. Business and industrial activity is at a standstill during the Covid-19 pandemic, and millions of people are losing their jobs.

Many analysts don't believe that these growth-oriented stocks have seen the worst of the economic crisis yet. One such stock is **Canadian National Railway Co.** ([TSX:CNR](#))([NYSE:CNI](#)), which provides crucial transportation and logistic services to companies in North America.

Volumes at CN Rail and **Canadian Pacific Railway Ltd.** will likely be "severely impacted in the coming months" as industrial supply chains remain shut down and retail harshly curtailed, **National Bank** analyst Cameron Doerksen said in a recent research note, carried by the *Globe and Mail*.

"There is no question in our mind that freight volumes in the next few months are going to be severely depressed with no real historical precedent," he said. Automotive shipments and container traffic have been hit particularly hard after North American and Asian production hubs went into lockdown due to the virus.

Year over year, auto and container volumes decreased by more than 15% and 12% respectively in March. Container traffic saw its steepest plunge since 2009, the report added.

Short-term weakness

Neither CN Rail's earnings nor its share price reflect that pessimistic scenario, however. In its first-quarter earnings, CN Rail reported a 29% rise in profit despite all the operational interruptions. These included February's rail blockades sparked by anti-pipeline protesters, and the pandemic which slowed every sector of the economy from the mid-March.

[CN Rail's share price](#), after tumbling by 18% by mid-March, is down just 3% for the year. It closed on Wednesday at \$113.91.

The reason for this strength is that investors know this weakness is short term and can't hurt CN Rail business permanently. CNR runs a 19,600-mile rail network that spans Canada and mid-America,

connecting the Atlantic, the Pacific, and the Gulf of Mexico. A week-long CN train operators' strike that ended this week has further highlighted the strength of this stock.

This wide economic moat makes CNR a stock that has the power to defend its business, while continuing to pursue growth.

Even after the recent pullback, CNR stock is up about 45% in the past five years. With an annual dividend yield of 2.03%, the company pays about \$0.575 a share quarterly payout. The dividend has grown about 17% per year during the past five years.

Bottom line

CN Rail is a top stock that long-term investors should consider buying in this uncertain time. It can provide income with the potential for further growth. Consider adding this stock to your portfolio for safety as the economy slips into a recession.

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