



Retire Rich: Should TFSA Investors Buy CN (TSX:CNR) Stock Today?

Description

Investors with some cash sitting on the sidelines are wondering which [top Canadian stocks](#) might be attractive picks right now for a self-directed [TFSA](#) pension fund.

Market outlook

The **TSX Index** plunged from nearly 18,000 on February 20 to just below 11,250 on March 23. The speed and scale of the crash caught investors by surprise, and analysts have varying views on whether or not the market low is now in the rearview mirror.

Stocks have certainly staged an impressive rebound. The TSX is back up to 14,800 at the time of writing, supported by hopes that the opening of the economy will reverse job losses and drive new growth. The rebound in the equity markets suggests investors anticipate a V-shaped recovery. The IMF sees strong growth for the global economy for 2021, so the market might be right.

Time will tell.

Best stocks to buy

Buying stocks during market crashes can deliver solid long-term gains.

Given the current uncertainty, however, it makes sense for investors to take a cautious approach when adding to their retirement portfolios. Cheap stocks can get much cheaper, especially if they have weak balance sheets. In the event we are headed for a U-shaped recovery, there could be additional market downside before the extended rebound is firmly in place.

As such, industry leaders that provide essential services to the economy might be the best bets right now. Let's take a look one of Canada's top companies to see if it deserves to be on your buy list today.

CN

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) owns and operates an extensive network of tracks that connects ports on the Pacific and Atlantic coasts in Canada as well as the Gulf Coast in the United States. Domestic and international customers ship roughly \$250 billion worth of cargo along CN's system each year.

CN transports coal, cars, fertilizer, grain, crude oil, forestry products, manufacturing supplies, and finished goods. The business segments normally offset each other, providing revenue stability. When one industry has a rough quarter, another generally picks up the slack.

The current economic downturn is going to hit CN's volumes and revenue across all the business groups this year, but the company will rebound with the improving economy.

CN generates strong free cash flow and has a great track record of giving investors a share of the profits. The board increased the dividend by a compound annual rate of about 16% since CN went public in the 1990s. The existing payout should be very safe and provides a yield of 2%.

The stock trades at \$113 per share. Bargain hunters who moved in when the share price slipped below \$110 in March are already sitting on some nice gains. CN traded as high as \$127 in February, so there is decent upside potential as the economy recovers.

Is this the time to buy?

The stock price might slip back below \$100 if the broader market corrects again in the coming months. Investors should view any pullback as an opportunity to add to their positions. At the current price, CN should be a solid buy-and-hold pick.

Long-term investors have done well buying CN on dips. A \$10,000 investment in CN just 20 years ago would be worth \$220,000 today with the dividends reinvested.

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