



Finding Your Edge: Why Your TSX Stock Buying Strategy Matters

Description

An investment thesis doesn't have to reinvent the wheel. However, it helps to be able to identify why your reasoning behind particular stock picks gives you an advantage. Some investors swear by a comparison of market ratios to social trends. Others use and adhere to a contrarian philosophy.

However one cuts it, though, finding your edge is key to staying on track when it comes to long-term investing commitments.

Looking for a simple stock strategy? Buy the dips

Buying the dips is a classic play. It makes use of market weakness while allowing investors to build bigger positions in the best stocks. It also allows more speculative plays on shorter-term momentum stocks. As an edge, it's a "straight out of the box" play that doesn't call for any fancy jargon or impenetrable equations. It's defensible, too – nobody is going to wonder why you bought the dip on a blue-chip stock.

Consider a name like **CN Rail** ([TSX:CNR](#)[NYSE:CNI](#)). This is a stock that [rarely goes on sale](#). Even last year's strike failed to ruffle shareholders' feathers to any great degree.

However, as with any name, CN Rail has price fluctuations. CN Rail crashed in March just like everything else did. Look at its 52-week high and low points: \$127 and \$92, respectively. Investors buying the bottom would since have seen this stock appreciate by 31%.

There's always an opportunity somewhere

Being optimistic is, in itself, an edge of sorts. To break it down into investment terms, an optimistic shareholder would use as their operational basis the belief that some sector or other is always in bull mode. Sometimes, it might be as limited as gold and pharmaceuticals.

At other times, TSX energy stocks might get a boost – just as they did recently when Warren Buffett

bet large on **Dominion Energy**. But the fact is, *something* is usually going up.

Buying stocks for [passive income](#) is another popular play. Canadians making use of a Tax-Free Savings Plan (TFSA) should weigh up the stock's yield and ask whether it fits with their financial ambitions. Check under the hood and do your homework: How long has the company been paying a dividend? Is its distribution well covered? Has the company been growing its payout, at what rate, and for how long?

CN Rail's dividend is one of its most appealing facets. A 1.9% yield might not be significantly rich. However, it is fed by a spread of revenue streams almost as diversified as the Canadian economy itself. A 35% payout ratio leaves plenty of scope for dividend growth in the coming years.

Having a strategy in place also guards against emotional investing. For instance, were CN Rail ever to drop appreciably, shareholders should know their exit points. What price would trigger a trim?

In summary, whether your edge is buying when others are selling, or whether it's continuous position-building – stick to it.

However, it might take a while to whittle down the options, starting out with several edges and seeing which one best suits one's temperament.

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