



2 Top Canadian Stocks to Buy on a Market Pullback

Description

Investors with some cash on the sidelines want to know which top Canadian stocks are good buys when the stock market goes through its next crash or major pullback.

Best stocks to buy in a market crash

A [market crash](#), or even a major correction, can be scary for investors. Portfolio values drop, and fear pushes some people to bail out of their holdings. Following the herd seems sensible at the time, but history suggests this is the wrong way to react. In fact, the opposite move tends to be the best course of action.

The rally off the 2020 market crash is a great example. A year later, we are sitting near record highs. The bull market that occurred after the financial crisis also gave investors solid evidence that market pullbacks provide great buying opportunities for top Canadian stocks.

The best stocks to buy in a [bear market](#) tend to have similar characteristics. Top companies often hold leadership positions in their respective industries. In addition, the best stocks have long track records of dividend growth supported by rising revenue and profits.

Let's take a look at **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) to see why they deserve to be on your buy list during a market pullback.

Why CN is a top Canada stock to buy on a correction

CN is a leader in the North American rail industry. The company has nearly 20,000 route miles of track that connect the Canadian Atlantic and Pacific coasts to the Gulf of Mexico. This unique network gives CN a sustainable competitive advantage that should remain in place for decades.

CN invests significant funds to ensure it has the capacity to meet rising demand for its services. Despite the billions of dollars of capital spending each year, CN still generates great free cash flow to

boost dividends and buy back shares.

CN is a great stock to buy when the market corrects. The shares rarely go on sale and typically bounce back very quickly.

Royal Bank is a top Canadian stock to buy when the market corrects

Royal Bank is Canada's largest financial institution and ranks among the 15 biggest banks in the world. The company survived every major economic crisis in the past 150 years and is cruising through the pandemic in great shape. Royal Bank of Canada reported strong fiscal [Q1 2021 results](#) and should perform well as the economy improves.

The bank is extremely profitable in good times and still generates solid income during a downturn.

The latest surge in house prices in Canada provided a nice boost to Royal Bank's mortgage portfolio. Mortgage rates are starting to move off the record lows. A significant jump could trigger a wave of defaults and potentially result in a sharp decline in the housing market. This would be negative Royal Bank and its peers and could result in a sell-off in bank stocks.

Housing crash predictions have been around for more than a decade and the market continues to remain resilient. That said, a drop is likely at some point. When that occurs, investors with cash available might get another great opportunity to buy Royal Bank shares on a pullback.

The bottom line

CN and Royal Bank are great buy-and-hold stocks to add to a portfolio during a market correction.

We don't know when the next market correction will occur, but it makes sense to keep some cash available to buy these top Canadian stocks when they go on sale.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

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