



1 Top TSX Stock Could Rally by Thursday!

Description

It's been an intense battle over the last few months between Canada's railway duopoly. And the battle comes down to one company that could take either railway to the next level. **Kansas City Southern** (NYSE:KSU) had announced back in March that it would be considering a merger with **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)). But then **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) swooped in and stole the merger from CP Rail.

Since then, it's been a tumultuous battle, as CP rail fought back. Meanwhile, CNR stock management is going full steam ahead. And Kansas City remains in the cross-fire. Shares of CP stock are up about 41% in the last year, whereas CNR stock is up just 12%, and Kansas City boomed by 97%! But all that could change after investors consider comments made by Kansas City and CNR stock to the Surface Transportation Board.

Share movement: What gives?

Motley Fool Canada investors might be a bit confused at the above numbers. After all, why is CP stock going up, when CNR is the one that looks like it will buy Kansas City? It's because the deal is going to cost the company a whopping US\$33.7 billion, putting it in a massive amount of debt. CP stock actually went up at the news, because investors were happy to see the company wouldn't be spending the original proposed US\$29 billion amount.

The CN deal values Kansas City stock at US\$325 per share. As of writing, those shares trade at just US\$284, so many obviously believe the company far overpaid. Of course, there is value in the numbers. CN now gets access to a rail line that brings it all the way into Mexico. This could put it ahead of CP Rail for once, after the company made a strong rebound that has sent shares soaring since 2012.

CP not done yet

Just hours before the joint statement made by CNR stock and Kansas City, CP stock management

made their own announcement. The railway called on the Surface Transportation Board to deny the deal, stating it would not be in the public's interest but that a CP stock and Kansas City deal would.

The deal, CP management argues, would reduce freight transportation service options for more than 340 shippers across the United States. Further, not only would CNR stock be in debt from the purchase, but it would take on \$19 billion in [additional debt](#). This would create incredible risk for its business and employees, and "the future of North American rail infrastructure," according to CEO Keith Creel.

Then there's the more self-interested points: a CP stock and Kansas City deal would create an artery from north to south. This is a "once-in-a-lifetime opportunity" that this deal is "squandering," according to CP management. It further argued that there are no public benefits with this CNR stock deal. And fair enough, the STB already approved a CP and Kansas City merger.

Of course, CNR denies that this merger would decrease competition within the railway industry. But Motley Fool Canada investors will have to wait and see how investors react to a STB decision, which we should know by the end of the week.

Should you buy CP stock or CNR stock today?

What side will the STB take? Historically speaking, STB likes to do ... nothing. Therefore, if CNR stock and Kansas City have made a deal, it's very likely STB will accept it. There may be conditions, sure, but in the end, it looks like it's a done deal.

In that case, CP will be upset at losing the deal once and for all. However, its shares are likely to [continue on a steady increase](#), as the company takes in revenue and doesn't have all that debt to pay. Meanwhile, CNR stock is going to have a long road ahead to pay off its debts. So, if you're in for the long haul, CNR stock could be a great choice today. If not, you'd better stick with CP stock for the next decade.

CATEGORY

1. Investing
2. Personal Finance

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CP (Canadian Pacific Railway)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:CP (Canadian Pacific Railway)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Personal Finance

Tags

1. Editor's Choice

Date

2025/08/24

Date Created

2021/06/30

Author

alegatewolfe

default watermark

default watermark