



Got \$500? 1 Cheap TSX Stock on My September Wish List!

Description

Got an extra \$500 sitting around in one of your accounts like a Tax-Free Savings Account (TFSA), just itching to put it to work on a cheap **TSX** stock? If you're one of many Canadian investors with low (or no) commission on trades, I think it makes more sense to put it to work as soon as you're able rather than waiting for the environment to be perfect.

Let's face it. The environment will *never* be perfect. There will always be [risks](#), those on and off your radar. Moreover, even if there was a perfect time to invest, such as during the market's bottom in March 2020, the odds are you'd miss it. It comes and goes without giving you enough of a chance to buy the securities atop your wish list. Undoubtedly, buying market bottoms or at the moment when prospective returns are highest sounds easy on paper but is pretty difficult to do in practice, even for professional money managers or seasoned traders.

That's why I think it's important for beginner investors to be humble and acknowledge that they can't time markets and that anything can happen. Crashes and corrections can happen when all is well. At the same time, epic rallies can happen when we're in the midst of a horrific pandemic with wave after wave of lockdown-inducing variants of concern.

The case for investing \$500 sooner rather than later

How is one to respond? Well, by hedging one's bets by [investing systematically](#) over time, with a bit more put to work on those impossible-to-time market corrections. With many folks forecasting corrections over the past year and a half, those beginners who took such advice were left sitting on the sidelines as markets soared to new heights consistently. These days, the penalty for excessive sitting on the sidelines is higher, with continued inflation. In Canada, inflation is in the high -3% range and could remain elevated for many quarters to come.

With elevated opportunity costs of holding cash, I think new investors should think about putting money to work if they'll stand to pay less than 1% in commissions to their broker on a trade. It used to be that \$500 was too small a sum to invest, given the flat trading costs. These days, however, it's possible to

invest such an amount without having to pay over 2% of your principal just to hit the buy button.

A top TSX stock on my wish list in September 2021

In this piece, we'll have at one cheap TSX stock I'm tempted to buy more of as we head into a potentially rocky September 2021. If you've been invested in markets for over a year, you'll know that the action picks up when many revisit and re-evaluate their portfolios. As volatility returns, you'll want to be supported by strong fundamentals and a valuation which implies a considerable margin of safety. That way, you'll do well, independent of where the broader markets move next.

Consider **CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)), a near-2%-yielding railway kingpin that took a hit to the chin in the first half over news that's been blown completely out of proportion. As you may have guessed, the big news has been the fierce bidding war with **CP Rail** for **Kansas City Southern**. It's an epic (and expensive) rail deal that could be one of the last in the industry's history.

The last of the great rail deals?

Many have dubbed CN as the firm that has most to lose from such a deal. While they have the richest offer right now, I think many underestimate the odds that CP ends up winning the bidding war. It will likely have regulators that will help it win. Even if KSU shareholders continue to favour CN's bid, I find it likely that CP will continue sweetening the pot until it has its hand raised.

Could it be that CN's pursuit of KSU is just bidding up the price for CP to make its life harder? Nobody knows. Regardless, I find the bidding-war-induced sell-off in CN, a proven Dividend King, to be overblown. I don't think it will win KSU, but even if it does, the valuation is too good to pass up on, even if we assume the expensive CN-KSU deal destroys some value for shareholders.

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