1 Top TSX Wide-Moat Dividend Aristocrat to Buy on a 9% Dip!

Description

Market volatility has dragged into mid-October, and while the decline in the **TSX Index** could certainly worsen in this period of seasonal weakness, I'd argue that investors would be better served by buying very gradually on the way down. Yes, the slate of uncertainties is arguably the highest it's been since the depths of 2020. Still, nobody knows just how deep this sell-off will get, how long it could drag on, or how sharp the recovery will be.

Undoubtedly, buying the dip has paid major dividends over the past seven quarters. With the **S&P 500 Composite Index** down around 5%, we're at the halfway point of a correction. And it could go either way.

Indeed, November and December tend to be kinder months to investors. But with valuations on some of the high multiple names still a tad absurd coupled with the risk of rising rates, we could very well see this sell-off continue for the duration of the fourth quarter in a very 2018 fashion. Of course, no bell goes off when it's time to buy and when the market is forming a bottom. That's why it's wise to start buying now, with the intention of buying even more if markets slide into a 10% correction or even a much worse pullback that could see this young bull market rollover at the hands of another bear.

Playing it safe with proven blue-chip value over high-multiple growth

With rates likely to continue grinding higher, high-multiple stocks could be at risk of facing "double damage." As such, cautious investors should insist on good, old-fashioned high-quality value stocks.

In Canada, a wide range of dividend growth stocks is now marked down considerably after the single-digit pullback. And in this piece, we'll have a closer look into the reasons sparking the amplified dip (they've each fallen more than the broader TSX Index) and what the risk/reward looks like heading into a potentially choppy 18 months.

Without further ado, consider **CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)), one stock that I think could increase its dividends at an above-average rate on the other side of this pandemic.

CN Rail: Buying dips has proven a solid long-term strategy

I've said it before, and I'll say it again: CNR stock is one of the wide-moat names that investors should look to be a buyer of any time it slips, especially on broader market weakness.

The railway business has one of the widest moats out there. That's a significant reason why Bill Gates and Warren Buffett are huge fans, with sizeable stakes in their own favourite railways. CN Rail is Bill Gates' favourite way to play the space, and for good reason. It has a jaw-dropping network that's hard to stack up against. The name has been a wild ride this year because of COVID disruptions, an untimely bidding war that CN Rail lost (losing the bid for Kansas City Southern is actually a win for investors in my books!), and most recently, an activist who's pushing for management change.

Given the relatively lacklustre performance in the stock this year, the current management team may not get top marks. Still, CN is one of those businesses that are so good that you'd want to own it, even if management has a less than stellar track record. Indeed, activist investor involvement could drive change in the upper levels of management. And if it does, it could be an unforeseen boon on the stock. In any case, I think CN is in good hands, regardless of who's at the helm and I would treat activism as a net positive over the long term.

For now, investors can snag a nice discount after the stock plunged over 9% from its September high. It's an overreaction to the downside, and investors should think closely about topping up their stake in CNR as the dividend swells closer to the 2% mark, which is close to the highest it's been outside of a panic-driven market crash.

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