



2 Top Canadian Stocks With Considerable Upside Momentum

Description

As the **TSX Index** climbs back from its September-October [breather](#), investors would be wise to punch their ticket into some of the still modestly-valued Canadian stocks whose momentum could carry well into year's end. Whenever you have shares of a company at the intersection between momentum and value, you may very well have the formula for a timely investment that's more than capable of delivering solid results over the medium and long term.

Today, we'll have a look at breakout plays in **CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)) and **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)).

Canadian Stock #1: CN Rail

CN Rail is a top Canadian railway giant that's endured more than its fair share of [drama](#) through the rocky first three quarters of 2021. Investors have moved on from the firm's expensive and potentially-value-destructive pursuit of Kansas City Southern to activist involvement and a blowout third quarter that moved the needle much higher on the name that's been nothing short of volatile and underwhelming for most of 2021.

For Q3 2021, CN Rail clocked in \$3.6 billion in revenues on a nine-cent per-share earnings beat (\$1.52 versus the \$1.43 consensus estimate). Sell-side analysts rushed to hike their price targets after the remarkable quarter and reiterated guidance. With a new CEO likely to be announced before J.J. Ruest's departure, things are starting to look up for CN Rail, as it attempts to win back shareholders and analysts who were underwhelmed by the KSU bidding war or the firm's own strategic plan.

Indeed, CN Rail is one of those wonderful businesses that's hard to keep down for too long. As activists push for change, CN Rail may very well become the best it can be, as the company looks to get the operating ratio back on the right track after over a year and a half of COVID disruptions. Changes in the c-suite, I believe, could be a catalyst for the stock that could propel it to much greater heights, as the economy gets ready to continue chugging forward.

Canadian stock #2: Canadian Natural Resources

Canadian Natural Resources' past-year turnaround has been nothing short of remarkable. Not many stocks can shed over 70% of their value only to come roaring back, recovering all of the ground lost and then some in less than two years. More remarkably, the company managed to put its contrarian hat on, further diversifying its book into natural gas with the incredible acquisition of Painted Pony Energy. I said it before, and I'll say it again: CNQ's Painted Pony acquisition for \$461 million was one of the best bargains in the energy patch of 2020.

Now that the tides have turned in CNQ's favour, the stock has been on an unstoppable run. I don't think it's over, either. The stock still seems discounted, even if the price of West Texas Intermediate were to rise no higher than the low-to-mid US\$80 range it finds itself in today. In prior pieces, when just about everyone was ready to give up on Canadian oil sands producers, I stated that one last oil boom was not just possible but plausible. Indeed, quite an unpopular opinion at the time, when just about everyone was ready to move on from fossil fuels to the "sexy" green energy names.

At just north of 15 times trailing earnings, CNQ stock remains cheap despite the remarkable rally. Why? The fundamentals keep getting better with time. It's arguably the best Canadian energy stock out there, and if oil can stay elevated for a longer duration, expect investors to reward the stock with continued multiple expansion from the name, all while solid earnings come flowing in, applying downward pressure on the multiple.

CATEGORY

1. Investing

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2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:CNR (Canadian National Railway Company)

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