



CP Rail: A Sleep-Easy Stock That Could Surge Higher in 2022

Description

There aren't that many stocks that can allow newbies to [sleep easy](#) these days, with all the causes for concern, ranging from inflation and rate hikes to the Ukraine invasion. Undoubtedly, COVID is another underrated risk that's faded into the background amid falling Omicron cases. While COVID may or may not go endemic this year, it's important not to discount the tremendous efforts put forth to reopen the economy safely.

Yes, there's a lot to worry about. But I'd argue that it's far better to be a buyer of undervalued securities when others are aware of said risks. There's nothing worse than a market that's complacent, discounting risks across left, right, and centre.

Indeed, Mr. Market is fully aware of today's risks, and he's marked down many wonderful businesses that were already trading at modest multiples. In this piece, we'll check out one boring stock that I believe will march modestly higher this year, even if the S&P 500 or TSX Index ends 2022 in the red.

Let's not forget 2021 was an incredible year for markets on the returns front. So, a breather year may actually be needed to prolong the bull. Though I'm sure some will fear a recession is nigh given how flat the U.S. yield curve has become of late.

Beginner investors: Focus on valuing companies, not timing markets

In any case, the focus of investors should be on buying individual companies that are doing well and are not dependent on the broader markets rising to help investors make a decent return. With inflation rising, I'd argue that it's better to be in boring, sleep-easy stocks over cash if you've got a time horizon measured in years rather than weeks or months.

Moving forward, expect more pain in high-multiple stocks, especially those lacking earnings and plans to become profitable over the medium term. The speculative frenzy looks to be ending, and it's boring value that could be the go-to once again.

Consider **CP Rail** ([TSX:CP](#))([NYSE:CP](#)), one business that is easy to understand and is a worthy bet in a market environment like this.

CP Rail

CP Rail is a magnificent wide-moat company that's in the business of moving goods from point A to point B. Indeed, rails produce far fewer emissions than trucks used to transport the same goods over long distances. The business of rails hasn't changed much in recent decades. Moving ahead, the fundamentals of the business should remain similar, with the added benefit of various technologies that should drive efficiencies while reducing emissions. Undoubtedly, there are a lot of technologies that can help a railway like CP improve upon its operating track record.

With Kansas City Southern aboard, CP Rail has an enviable network. It'll take some time to integrate, but at the end of the day, the company has a moat that's pretty much impenetrable, with access to North America's three largest borders. My takeaway? CP stock is worth a hefty premium — one that may not be slapped on shares just yet.

Once the economy moves on from recent [headwinds](#), I'd argue that it'll be tough to stop CP stock's rally in its tracks! At 21.3 times earnings, with a 0.85% yield, I'd argue the sleep-easy stock is a great buy right here amid recent turbulence and uncertainties.

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