



## Can CP Rail Continue its Rise Higher?

### Description

**CP Rail** ([TSX:CP](#))([NYSE:CP](#)) is an absolute behemoth in the North American railroad market. This company has a market capitalization of nearly \$100 billion, operating more than 12,500 miles of track across the northeastern and midwestern U.S. and Canada.

Accordingly, CP Rail is often viewed as a go-to play for investors bullish on North American growth. Let's dive into whether this bet is a smart one to make right now. After all, the key recession indicator (spread between the two- and 10-year U.S. Treasury yields) just turned negative. This is a pretty good indicator that an economic recession is around the corner.

Let's discuss.

## CP Rail jumps after agreement

Among the key catalysts driving CP Rail stock higher in recent days was the announcement of an end to a work stoppage, which spanned only two days.

CP Rail's CEO announced last week that this stoppage would cease, bringing essential services back online for Canada's resource-heavy economy. Previously, the company had sought some sort of emergency order to continue operating, given the importance of Canada's railroads to key sectors such as agriculture and mining (namely, potash).

Canada is a major global supplier of potash that is used as fertilizer for agricultural crops, with the bulk of the shipments traveling via rail. This strike resulted in the disruption of shipments at a time when supply chains are stretched already. Add to these factors the Russian invasion of Ukraine, and investors stood to worry not only about the strength of CP Rail but of that of the entire economy.

## Another positive: Kansas City Southern acquisition deal

A few months back, CP Rail completed the Kansas City Southern acquisition, thereby paving the way

for the only railroad in North America that stretches across all three nations.

This sale places the American railway's shares in a voting trust while the United States Surface Transportation Board carries out the deal review.

Canadian Pacific Kansas City Ltd. (CPKC) will form the backbone that will connect CP Rail's customers to new markets. This will further help drive [economic growth](#) across North America, deliver vital environmental benefits and enhance competition in the United States railway network.

## Bottom line

A few days back, billionaire investor Bill Ackman revealed a stake in CP Rail stock. Mr. Ackman's New York-based hedge fund takes large positions in some underperforming organizations and pushes for change to unlock value for the shareholders. As per an amendment to Pershing Square's Q4 2021 13F filing with the SEC, Mr. Ackman bought 2.8 million shares of CP Rail.

I think this purchase is a strategic one and may drive additional retail investor interest in this stock. Accordingly, investors bullish on economic growth right now (despite the contrarian indicators) may want to take a look at CP.

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