



## Market Melt-Up: 1 Dividend-Growth Stock I'd Buy on Recent Strength

### Description

Dividend-growth stocks have been on a nice run, with broader markets [blasting](#) off in what appears to be a market melt-up. Indeed, with the S&P 500 up so quickly, many beginner investors are probably feeling a bit inclined to chase.

With fear turning into fear of missing out (or FOMO) in such a hurry, investors may be wondering if they should be waiting for the next pullback or if this sharp relief rally will take us right back to the highs not seen since the start of the year. With the U.S. yield curve flirting with inversion, many pundits see the economy falling into recession. Undoubtedly, the odds of a recession may have risen, but with the Fed looking to steer clear of a “hard landing,” there may be nothing to fear but fear itself — at least for the time being.

### Market melt-up: What comes next?

Rate hikes and [recession](#) fears have been dominating the headlines now that a yield curve inversion seems inevitable. While I think the recent market melt-up is a tad stretched, I don't believe those who see value on their radars should wait for some pullback. Like it or not, such a retreat is not guaranteed to happen! As such, investors should focus more on evaluating firms themselves rather than reacting to what talking head thinks will happen with the world economy, as the Fed continues on its rate-hiking cycle.

Personally, I think being selective could pay dividends. Dividend-growth stocks seem like a great bet here, and in this piece, we'll check out one that I'd be willing to purchase on the way up.

Why dividend-growth stocks? They're the perfect way to give your future self a raise. Though their yields are muted today, they'll only swell based on your invested principal every year. Like wine, it'll get better with age. And in a decade where prospective returns are likely to be lower than the last decade, you'll want a stock that can help you build real wealth after inflation — a tough task these days!

Currently, **CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)) is among my favourite dividend growers to pick up today.

## CN Rail

CN Rail has a new CEO, and activist investors appear happy with the choice after taking steps to remove the firm's former top boss, J.J. Ruest. Indeed, CN Rail has been a choppy ride over the past year, with its bitter bidding war, underwhelming forward-looking plan, and activist involvement. With the page turned on a new year, CN Rail has a lot to prove. New CEO Tracy Robinson has a lot of work to do, but I think she'll get the firm on the right track after years of relative underperformance and above-average volatility.

Now, CNR stock hasn't been a dud by any means. Shares are up 73% over the past five years. Still, CN Rail has not been the best-performing railway stock, and it's trailed the S&P 500 in the five years. For a firm previously dubbed North America's most efficient railway, that's simply not acceptable. Fortunately, I see room for operating ratio improvement, as the firm looks to move on from a turbulent past two years.

With a wide moat and a new top boss with a lot to prove, I'd buy CN Rail stock while the yield is north of 1.8%. It's a great company with a leadership team that can only get better from here. Activist investors wouldn't have backed down otherwise. In any case, all eyes are on CN, as it looks to make up for lost time after a relatively choppy year.

## CN Rail stock isn't cheap, but it's a quality dividend grower with a wide moat

The stock boasts a 24.6 times trailing earnings multiple and a 1.75% dividend yield. Moving ahead, I expect CN to hike its payout by at least 10% annually, recession or not.

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## Author

joefrenette

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