



Is Now the Time to Buy CN Rail Stock?

Description

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)), popularly known as CN Rail, is one of the top players in the North American railway sector. It is one of the most popular dividends paying stocks that investors look for to seek regular income. However, over the long term, CN Rail stock has been one of the best and most consistent [growth](#) stocks in the market as well. Much of that is tied to the rather high correlation between CN Rail's performance and that of the overall North American economy.

That said, economic concerns are picking up. Accordingly, CN Rail stock has recently started picking up bearish momentum after hitting an all-time high late last month.

Let's dive into whether now is a smart time to dive into this key railroad stock.

Strong fundamentals, but can they continue?

The global resource supply chain has been absolutely booming of late. Supply chain issues have pushed up prices among transports, with railroads seeing increased volumes and the best capacity levels in some time. As a key transporter of commodities such as grains, fertilizers, petroleum, automobiles, and other economically sensitive products, CN Rail stock has benefited from this recent boom.

This has resulted in [blowout numbers](#) in recent quarters. In Q4, for example, the company brought in \$1.71 per share on an adjusted basis. That's dramatically higher than expectations of only \$1.53 per share. Additionally, much of this bottom-line growth came on revenue growth of only 3%, with historical volume levels continuing to be shattered.

However, with the economic outlook uncertain, investors appear to be discounting some of these results in recent days. The stock market is forward looking. Accordingly, it's unclear if this momentum will continue.

Is CN Rail stock recession-proof?

There's no doubt CN Rail stock is defensive. This company's exposure to commodities markets, and the core North American economy, is generally a good thing — that is, for investors thinking truly long term.

However, in times of economic turmoil, we see railroad stocks typically take a big breather. Such may be the case should a recession be around the corner. With the yield curve recently inverting, this is a newfound fear of many investors. Accordingly, how the macroeconomic environment looks a few months out may impact CN Rail stock disproportionately moving forward.

Bottom line

Right now, it's hard to say whether investors are getting decent value by jumping into CN Rail stock, or if a more patient approach is deserved. Personally, I'm sitting on the more cautious end of the spectrum right now. Indicators suggest that we could be headed for some turmoil. And while rail stocks tend to outperform over the long run, putting fresh capital to work in this sector may not be as prudent as being patient right now.

That said, there are few decent places to park cash right now. Indeed, CN Rail stock remains a long-term winner. Accordingly, it's up to the individual investor to make the call right now. It's a close one.

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