These 3 Unique TSX Stocks Have Undeniable Long-Term Upside

Description

When going on the hunt for your next investment, seek out the type of unique, easy-to-understand stocks that have long-term upside. Indeed, nobody knows what markets are going to do in the second half of the year. The first half of the year is the worst in 50 years. Could the second half be worse? Investors' gut feelings are saying yes; it could get worse. However, history suggests another record-breaking half is out of the cards. It will be a slog, but anything can happen, including a hot relief rally that many dip buyers have been hoping for.

Regardless, focus on companies that you know will get better, even as the economy gets reset. Think companies like **CP Rail** (TSX:CP)(NYSE:CP), which has been tough to keep down for too long a period. Other blue-chip studs include its rail peer **CN Rail** (TSX:CNR)(NYSE:CNI) and top Canadian banks, like **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

Blue chips are hard to pass up over the long run. They have undeniable long-term upside and can help investors feel confident buying, even as the macro outlook fades away.

CP Rail

Up first, we have CP Rail, a rail that's set to integrate those sought-after Kansas City Southern assets. It's now a Canadian railway with a dominant southern presence with a rail that goes into Mexico. Undoubtedly, the deal is a game changer for CP's future. It's been a mostly Canadian rail. Now, it's a truly North American powerhouse.

Though I love the new rail network and its potential to jolt sales growth over the long run, not to mention synergies to be unlocked by management, the near-term outlook is dim. The Kansas City Southern deal did not come cheap, and CP could feel the weight of the debt for quite a while.

Over the long run, though, CP is likely to trim its debt and come out of this decade as a major winner. Recession or not, CP will keep moving forward.

CN Rail

CN Rail is under new leadership with the goal of improving its operating ratio. With a track record of being one of the more efficient rail operators on the continent, I do not doubt the firm's ability to return to the top after recent headwinds. From COVID to strikes, CN is ready to power forward, and I don't think a recession will stop its momentum.

With a 2% dividend yield and a modest 20.2 times trailing earnings multiple, I view CN as a great dividend-growth king to buy and forget! Can shares get cheaper as a recession approaches? Sure, but buying over time has proven to be a tested strategy of wealth creation.

Royal Bank of Canada

Royal Bank is Canada's largest firm for a reason. It's incredibly well run with rock-solid capital that can withstand even the worst of recessions or even a depression. With a mild recession plausible, it seems like the recent slide on RY stock is overblown. It will come back in due time.

In the meantime, investors can sleep comfortably at night knowing they have one of the very best that the TSX has to offer. With a 4.1% yield and a 10.9 times trailing earnings multiple, Royal is of the utmost quality at a remarkably cheap price.

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