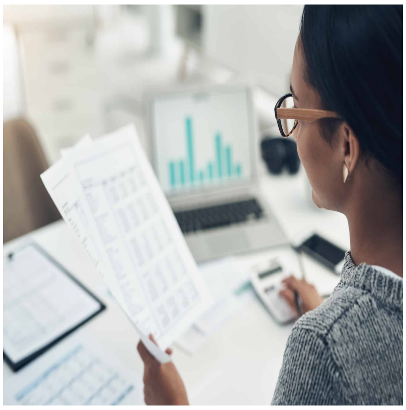

# TFSA Investors: 1 Blue-Chip Stock Pick to Hold Forever

## Description

The markets breathed a collective sigh of relief this past week, with the TSX Index climbing back from the steep correction it was propelled in during the first half.

Still, many bearish pundits, including **Morgan Stanley** analyst Mike Wilson, think the recent round of relief will be short-lived and that the bear could claw the S&P 500 right back to its 3,600-3,660 52-week lows.



Now, nobody knows where the TSX, S&P 500, or Nasdaq 100 are headed next. For every smart bear (like Wilson), there's sure to be an equally wise bull who's pounding the table on stocks amid its recent ricochet.

## The bear market seems to partially bake in a mild recession

Historically speaking, bear markets tend to be more vicious on average, especially those that accompany a recession. While a recession is certainly a possibility for 2023, it's no guarantee, especially after the better-than-feared earnings season. At this juncture, it does seem like a big part of a recession is already baked in. If the next recession proves severe, the bear market could have more room to the downside. At the same time, if it's a "mild" recession, the current plunge seems to be in that "just right" category.

The real upside comes from if the economy can steer clear of a recession. I think it can, given the resilience of the consumer and the many job openings that are still out there today. Undoubtedly, the tech sector is feeling the pinch. However, the shockwaves from recent tech layoffs may spread no further than the high-growth areas of the market.

Indeed, TFSA (Tax-Free Savings Account) investors should stay the course and look to top-up where possible. Whether or not the rally continues is a question mark. However, I think there's a lot more to gain over the long run by being optimistic.

Consider **CN Rail** (TSX:CNR)(NYSE:CNI), one intriguing blue-chip TSX stock that I think could sustain a rally to much higher levels going into year’s end on the back of recent earnings

## CN Rail: A solid earnings beat could power shares

CN Rail is fresh off an incredible quarter that propelled shares more than 4% higher. For Q2, CN Rail grew its revenue by 18% year over year on a constant-currency basis. That’s a steep jump from the single-digit growth revealed in prior quarters. Much of the top-line strength can be attributed to higher fuel surcharges. With such a wide moat protecting CN Rail’s economic moat, you can bet that the railway will have a far easier time moving through the recent bout of inflationary pressures.

In Canada, inflation is at 8.1% but is expected to peak and decline at some point over the near future, as the Bank of Canada continues raising interest rates. Still, there’s uncertainty as to where inflation will settle in the back half of the year. Fortunately, CN Rail is likely to continue moving through headwinds gracefully.

CN’s operating ratio fell to 59% (the rail industry’s gauge of operational efficiency, defined as operating expenses divided by net sales), an improvement (lower is better) of 260 bps year over year. Thanks in part to new policies and a new chief executive officer (CEO), CN seems to get back on track.

Looking ahead, the firm hopes to keep its operating ratio below 60%. Just how much below 60% remains to be seen. In any case, I think the firm is setting itself up for a potential positive surprise, as CEO Tracy Robinson looks to make CN the best that it can be.



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