



3 No-Brainer Stocks to Buy in a Correction

Description

Are you looking for no-brainer stocks to buy in a correction? If so, you should be looking at pretty much the same stocks you'd buy in a [bull market](#):

Quality stocks. Sometimes you see expensive stocks become cheap during a correction, and finally become buys. This has certainly been the case for many stocks that were too expensive last year. For the most part, though, you're best served by opting to buy high quality stocks (that is, stocks that are profitable with high cash flows and strong competitive positions). Let's explore three Canadian stocks that are no-brainer buys in a correction.

Alimentation Couche-Tard

Alimentation Couche-Tard ([TSX:ATD](#)) is one of Canada's top companies. It owns a large chain of convenience stores and gas stations that spans Canada, the U.S., and Europe. It bought the Circle K chain from a U.S. company over a decade ago, then spent the next few years bringing the chain to Canada. It now has a large market share in the Canadian gas station industry.

How is Alimentation Couche-Tard doing as a company?

This year, it's doing quite well. In its [most recent quarter](#), ATD delivered:

- \$872 million in earnings, up 14%.
- \$0.85 in earnings per share, up 19.7%.
- \$2.136 billion in fuel sales, up 52%.

As you can see, fuel sales were a big contributor to ATD's growth in the quarter. In a way, ATD is an oil and gas stock, because it makes a lot of its money by selling gas outside of its convenience stores. However, it also makes money indoors selling food, alcohol, cigarettes, and lottery tickets, so it's not as exposed to oil price movements as a pure-play oil company is.

CN Railway

The **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) is a resilient Canadian stock that has stood the test of time. Since the start of 2010, it has risen 484%, and has delivered an even better return when you factor in dividends. Today, CNR stock only offers a 1.81% yield (yield means dividends divided by stock price), but it has been raising its dividend by about 12% per year. So, if it keeps up its historical dividend growth, today's investor will see their yield-on-cost rise dramatically.

What makes CN Railway such a resilient stock?

First, it has a strong competitive position. It's one of only two major railroad companies in Canada, and it's the only North American railroad that touches three coasts. These advantages allow CNR to ship \$250 billion worth of goods every year.

Second, it's economically indispensable. Rail is the cheapest way to send goods over land (much cheaper than trucks), and it's the second cheapest way to transport oil (after pipelines). If pipeline companies were allowed to build every project that they dreamed of, then that would hurt crude-by-rail, but as it stands, pipelines face a lot of regulatory issues. So, CN Railway's lucrative business appears pretty safe.

Berkshire Hathaway

Last but not least, we have **Berkshire Hathaway Inc.** ([NYSE:BRKA](#)), the brainchild of [Warren Buffett](#). At its core, Berkshire is an insurance company, which uses its float (insurance premiums that haven't been paid out) to invest in stocks. It has earned a 20% per year return on its investments, more than double that of the **S&P 500**.

In its most recent results, Berkshire reported operating earnings growth of 38.8% which was led by the company's energy, utilities, railroad, service, retailing, and manufacturing businesses. Revenue also rose by more than 10% while after-tax earnings rose by 3.5% year-over-year.

Since Buffett took over, Berkshire Hathaway stock has risen about 185 times more than the broader stock market. It's been an impressive track record of outperformance, and it should continue for as long as Buffett is at the helm—maybe longer.

CATEGORY

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1. NYSE:BRKA (Berkshire Hathaway Inc.)
2. NYSE:CNI (Canadian National Railway Company)
3. TSX:ATD (Alimentation Couche-Tard Inc.)
4. TSX:CNR (Canadian National Railway Company)

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