



Is This Canada's Most Defensive Dividend Stock?

Description

With a likely recession underway in all but name, it's time for investors to start thinking about the "three Ds" of emergency investing. Defensive, diversified, dividends: These are three key qualities that a long-term, low-risk investment portfolio should reflect right now.

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is a rare wide-moat play that accesses the best of our economy while providing reliable passive income. This single stock reflects this type of 3D investment strategy to a tee.

CN Rail is a key stock to buy and hold

Headquartered in Montreal, this highly defensive Class I freight railway is often touted as one of the best stocks on the TSX. CN Rail's impressive network covers Canada as well as the Southern and Midwestern U.S.

But there are few investors, even would-be ones, who are unaware of CN Rail's empire. What might not be so apparent, though, is just how diversified CN Rail's business operations are.

This blue-chip name is a *de facto* play on the oil patch, for instance. While pure-play oil investing itself is a rapidly weakening strategy, an oil rally isn't completely off the cards. So how to [invest in an oil rally](#) without upping the risk unduly in a **TSX** stock portfolio?

Consider CN Rail's CanaPux system. This is a reduced risk play on the oil patch that uses CN Rail's bitumen puck crude-by-rail system.

And how about that dividend? While a yield of 2% might not look like much at first glance, remember that CN Rail is not a name to be traded. This is a forever stock, which means [passive income accumulation](#). A 2% yield on a substantial position in this powerfully defensive name could add up to a significant nest egg.

However, current billionaires have become disillusioned with airline stocks. Warren Buffett's **Berkshire Hathaway**

left itself exposed to the tanking industry this year. But the thesis for buying the bottom is still strong.

The trouble lies in knowing where the bottom is. The lockdown is producing a world devoid of air travel. But logically there must come a point when the pain is at its most severe.

Supply chains have become a hot topic in the current market. Contrarians are eyeing aerospace stocks for opportunities that match value for long-term recovery. Investors may want to sidestep aviation stocks altogether, though. A lower-risk play for transportation industry exposure might be rail.

Timing the bottom is a risky play, however. A stronger strategy might be to slowly build up a position by splitting the eventual number of desired shares into discrete packets. These packets of shares can then be snapped up as the share price decreases, lowering capital risk while growing a position at an eventual lower cost.

The bottom line

CN Rail is a strongly defensive, highly diversified stock that marries the best of the Canadian economy with steadily accumulating dividend payments. As such, the rail operator is a strong buy for a Tax-Free Savings Account (TFSA) or RRSP.

In summary, it's a name to build during the down cycle and hold for the long term.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

POST TAG

1. coronavirus
2. rail

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Tags

1. coronavirus
2. rail

Date

2025/08/27

Date Created

2020/05/06

Author

vhetherington

default watermark

default watermark