2 Buy-the-Dip Stocks for Your TFSA Retirement Fund

Description

"Buying the dip doesn't work anymore!" was what many talking heads on TV pronounced late last year as the bear market reared its ugly head as the **S&P 500** flirted with a 20% peak-to-trough drop.

As it turned out, the Fed-induced sell-off and recession fears were overblown beyond proportion, and if you went against the grain with stocks that suffered massive dips, you made a pretty quick killing.

Today, the markets are flirting with new all-time highs and although such a milestone may suggest value stocks are few and far between, I'd urge investors to have a look at the following three deep-value stocks that could be ripe for a significant upside correction similar to the one experienced by the broader markets earlier this year.

Without further ado, here are the stocks:

Inter Pipeline

Here's an out-of-favour pipeline play that was my top pick for July. **Inter Pipeline** (TSX:IPL) stock has since skyrocketed like a bat out of hell and is now up over 13% over the past month. Talk about a hot stock!

My top pick thesis for Inter Pipeline was simple, and it still applies at today's depressed valuations (the stock is still a far cry away from its 2014 peak).

The dividend (yielding 7.6%) today is safe and will be subject to growth thanks to medium-term cash-flow-generative catalysts like the Heartland facility.

And from a technical perspective, the stock was poised for a bounce as it ran into long-term support levels at $20.

Indeed, it may seem as though income investors missed their chance at the name, but given the stock is still super cheap, I think most of the upside still lies ahead.

Tucows

Up next, we have the IT service provider and telecom firm **Tucows** (TSX:TC)(NASDAQ:TCX), which surrendered all of the +70% gains posted between November 2018 and April 2019. It was a heck of a run and a heck of a breakout, but the stock has now fallen back to Earth.

Fellow Fool Vishesh Raisinghani seems to think that Tucows is doomed, citing domain business saturation, an overly competitive mobile business, and the fact that fibre-optic networks are "too expensive."

While Tucows has faced considerable competition on all fronts, I think Raisinghani has it wrong when it comes to Tucows, especially with regards to his commentary on Ting Mobile, Tucows' wireless and fiber internet play.

Expensive capex and competition is what the telecom industry is all about. That doesn't mean you shouldn't invest in telecom companies.

After the infrastructure, spending boom comes many years of stable cash flows, and although competition stands to erode margins, Ting (and all other telecoms) simply adjust to account for the moves its competitors make while continuing to make improvements.

That's game theory in a nutshell.

On the domain front, Tucows has seen pressure due to some pretty scary forces such as NameCheap, which offer cheap domain names as you've probably guessed from the firm's name, but domains aren't Tucows' growth engine, as I've noted in the past.

It's the stable free-cash-flow-generative foundation that'll feed Tucows' real growth engine — Ting.

Raisinghani highlighted that Tucows' domain service segment only managed to "expand by under 1% annually" over the past three years — a rate that's "less than inflation."

The way I see it, Tucows' domain business is akin to a digital REIT. It's not meant for explosive double-digit growth on its own, and I don't think investors expect such.

While there have undoubtedly been issues with the business of late, I don't think it's fair to judge the company based on growth in its domain business.

The domain business calls the shots for now, but Ting is growing fast and shouldn't be ignored. I'd say the recent dip in Tucows is a compelling buying opportunity both from a fundamental and technical standpoint.

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