How to Trade the Market Selloff: 2 Top TSX Stocks to Buy

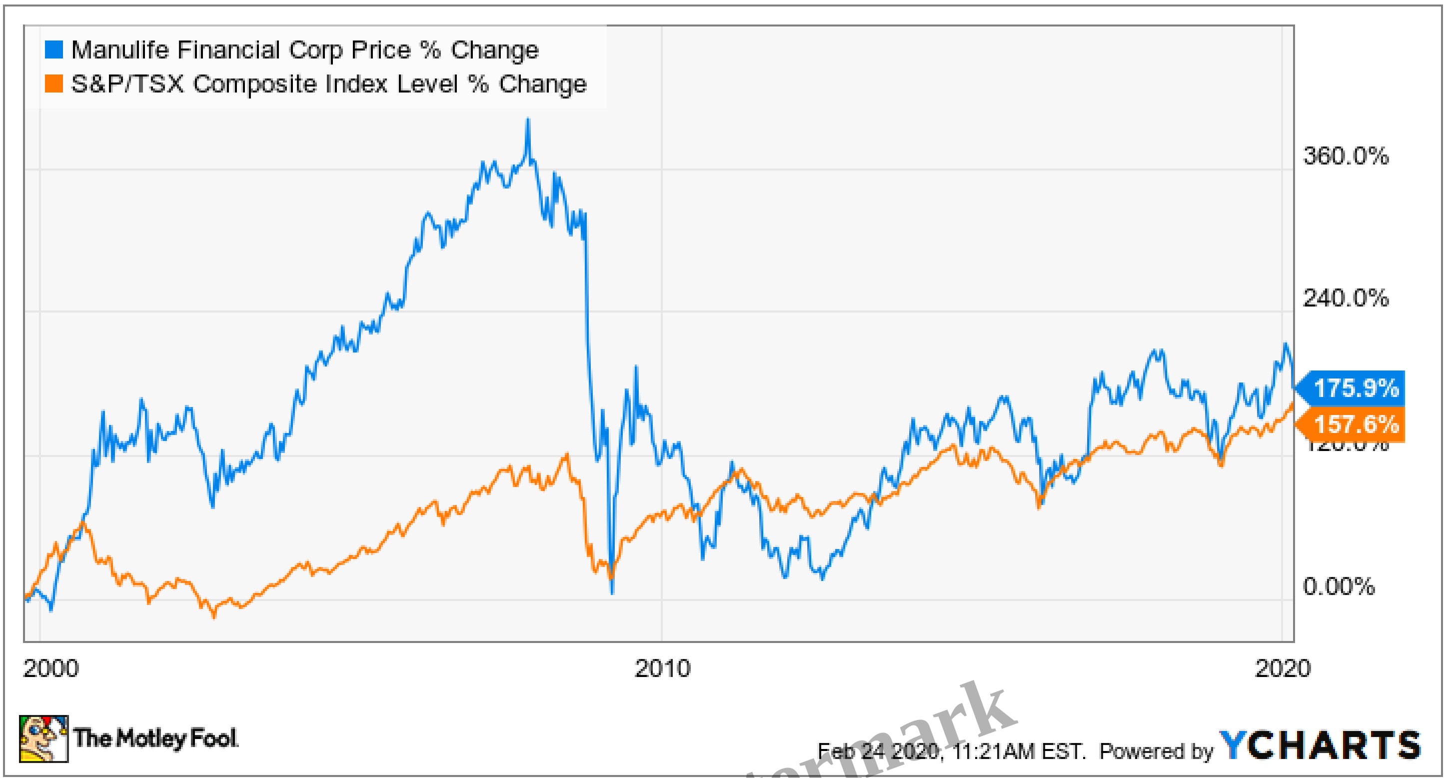
Description

The first trading day of the last week in February 2020 began with a huge market sell0ff — and falling prices on the **Toronto Stock Exchange**. Large selloffs like the one we are seeing today are great opportunities to buy shares of stock in long-run market outperformers like **Manulife Financial** (TSX:MFC)(NYSE:MFC) and **Air Canada** (TSX:AC)(TSX:AC.B).

Canadian investors should not miss this opportunity to buy cheap stocks for their Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP). In 20 years, these stocks will have averaged higher returns than the **S&P/TSX Composite Index**.

Buy Manulife Financial stock on the market selloff

The global financial crisis hit Manulife Financial pretty hard. The stock's price was up around 360% in 2008 when insurance markets echoed the problems in the shadow banking system. The reverberation caused Manulife Financial's price to plummet to the same level it was in the year 2000.



The trouble the asset had in 2008 was more likely a low-probability event that shouldn't scare away investors. Since then, the stock has rebounded somewhat, although not completely. The dip today represents [a great time to buy shares] of this stock to profit from a continued upside.

Manulife Financial shareholders can look forward to a dividend yield of 4.21% and an annual cash distribution of $1.12 per share. The dividend yield alone is higher than any traditional savings account would return in the era of rock-bottom interest rates.

Moreover, the firm has been in existence since 1887, when the Canadian Parliament incorporated "The Manufacturers Life Insurance Company" in an effort spearheaded by the Canadian prime minister, John A. Macdonald. Perennial institutions like Manulife with strong political connections in the Canadian government tend to be the most secure stocks to buy on the TSX.

Buy stock in Air Canada on the dip

Air Canada has outperformed the S&P/TSX Composite Index price level percentage change over the past 10 years. Although the index only rose by around 52%, Air Canada's price is now 2,590% higher than where it was in 2010. If you want to enjoy your retirement, you should buy and hold stock in Air Canada.

Air Canada's annual free cash flow took a hit leading up to 2015. Nevertheless, the firm has been quickly and reliably turning around its financials for the past few years. Air Canada's free cash flow stands at $2.075 billion as of the end of 2019, up by $748 million from 2018.

Stock prices tend to be highly correlated with changes in free cash flow. When free cash flow rises, investors are buying stock in the firm, driving up prices and generating capital gains. Likewise, when a company's free cash flow falls, shareholders are selling stock, lowering the price of the asset.

Many Canopy Growth shareholders learned this the hard way over the past year.

Self-investing is not as difficult as it sounds. If you stick to a long-term buy-and-hold strategy with firms like Air Canada and Manulife Financial, you will have a sizeable nest egg when you reach retirement age.

During today's market selloff, take 15 minutes to buy some of the day's biggest losers with long-term investment potential. The key to a buy-low, sell-high strategy is to spend money during moments of financial market pessimism on powerful companies.

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3. TSX:MFC (Manulife Financial Corporation)

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