TFSA Investors: Why It's the Best Time to Buy Top TSX Stocks

Description

The stock market doesn't always offer plenty of opportunities, which was evident in the last decade's rally. The 10-year bull run recently came to an end because of the coronavirus epidemic. Tax-Free Savings Account (TFSA) investors, in particular, could make the most of this market crash by buying top **TSX** stocks.

Notably, some of the Canadian heavyweight stocks are hammered way beyond validation, and recovery in those stocks will thus will be faster too.

The **S&P/TSX Composite Index** has plunged more than 32% from its record-high levels last month. While it still doesn't appear that we've hit bottom, it would be prudent to invest part of the investible amount now and keeping the cash ready for further downside.

It should be noted that even if the impact of the virus impact lasts longer, the long-term fundamentals of the quality companies remain intact.

Investors should therefore not worry about a couple of quarters' underperformances. We have seen such volatile markets earlier as well. Quality businesses too struggle during difficult periods, but they prevail over time.

Companies with superior business position

One such business is **Canadian National Railway** (TSX:CNR)(NYSE:CNI). The stock has fallen more than 20% amid the recent market crash.

The lower demand will hamper the trade, which will drive earnings lower for this transportation giant. However, in my view, the positives of Canadian National significantly outweigh the short-term weaknesses.

The company's network connects three coasts – the Atlantic, the Pacific, and the Gulf of Mexico, the backbone of the North American economy. Its unique set of assets is the Canadian National's competitive advantage and hard to imitate.

Analysts expect flat earnings growth from the company for 2020. While the bottom line could remain under pressure for a couple of quarters, it shouldn't be an issue for long-term investors.

Canadian National Railway stock is currently trading at a price-to-earnings ratio of 16 times its estimated EPS for 2020. This seems cheap compared to its historical valuation average.

Notably, Canadian National Railways, a top TSX stock with unparalleled capabilities and currently at a discounted valuation, will probably be the first to make up for the lost time when the recovery comes.

Top TSX stocks: Look for stable earnings and dividends

Another TSX heavyweight that looks attractive after the recent fall is **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

The shares of Royal Bank have pummeled more than 25% since last month. However, as earlier stated, the long-term growth prospects remain well in place. It's the country's biggest bank by market capitalization.

Royal Bank's diversified business is its key strength, which could bode well for stability in case of an economic downturn.

What makes the stock attractive is its recent fall. Royal Bank of Canada stock has plummeted to its four-year low levels. The stock also looks attractive from a valuation standpoint.

Even if the stock remains weak in the short-term, its dividends could compensate investors to some extent. It is currently trading at a dividend yield of 4.8%. In 2020, RY will pay a dividend of $4.30 per share.

Investing in stock markets is not that complicated. Returning to my initial point, the market crash has created a lot of worthy opportunity to buy top TSX stocks.

TFSA investors could make the most of it, as dividends and capital gains will be tax-exempt throughout the life of the investment and even at withdrawals.

The important idea here is that even though top TSX stocks remain weak in the next few quarters or throughout 2020, there is huge growth potential in the next five or 10 years and beyond.

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