TFSA Pension: 2 Oversold Stocks for a Self-Directed Retirement Fund

Description

Tax-Free Savings Account (TFSA) investors finally have an opportunity to buy top Canadian stocks at oversold prices.

The market crash of 2020 is unprecedented. The **TSX Index** fell more than 35% over the course of a few weeks, wiping out nearly eight years of gains. The Canadian stock market hit a recent low of 11,200 compared to roughly 18,000 in February.

The market rebounded a record 12% on March 24. Bargain hunters bought oversold stocks amid indications that the Canadian and U.S. governments are willing to do anything to support the economy. Extensive monetary and fiscal programs should restore investor confidence, and an economic boom is possible once the coronavirus pandemic passes.

Best stocks to buy

Industry leaders with strong balance sheets tend to be good candidates during the market turmoil. These companies have the financial clout to make strategic acquisitions during difficult times. Once the economy rebounds, the new assets add revenue and drive growth.

Let’s take a look at two top Canadian stocks that appear oversold right now and might be interesting picks for a diversified TFSA pension fund.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is an alternative asset manager with $540 billion in real estate, infrastructure, renewable energy, credit and private equity assets around the globe.

The company owns and operates office buildings, student housing, hospitality, multi-family, industrial and storage properties. Power generation facilities and key infrastructure holdings round out the portfolio.

Revenue primarily comes from long-term property leases, long-term power sale contracts, and long-term regulated utility rates. As a result, the plunge in the share price from $90 last month to a recent low of $48 appears overdone. The board recently raised the dividend by 12%, so management has a positive view on the medium-term outlook.

The company has $30 billion in capital available to deploy as opportunities arise. Falling interest rates should also be positive for Brookfield Asset Management and its investors.

At the time of writing, the shares trade at $57. Additional volatility could be on the way, but investors who buy now should see solid gains over the long run.

TD

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is Canada's second-largest bank by market capitalization. It also has a significant presence in the United States.

The coronavirus outbreak is putting heavy pressure on companies and households. Government-mandated lockdowns have closed businesses across Canada and throughout the U.S., and people are receiving layoff notices at record levels. In Canada, more than one million people applied for unemployment insurance in March.

The government is rolling out plans to help workers and company's get through the near-term pain. Nonetheless, TD and its peers will see missed payments rising defaults on loans of all types.

TD has a large residential mortgage portfolio. A crash in home prices would be negative for the bank. That said, TD has a strong capital position and the government is buying mortgages to provide the banks with added liquidity to keep lending.

TD has a strong track record of dividend growth. The bank maintained the payout through the Great Recession, so the distribution should be safe.

The stock trades at $57.50 per share compared to $75 last month. Investors who buy today can pick up a 5.5% yield.

The bottom line

Brookfield Asset Management and TD are top-quality companies with strong businesses that should deliver solid long-term returns.

If you're searching for top oversold stocks for TFSA pension portfolio, these names deserve to be on your radar right now.

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