



This Toilet Paper Company Will Boost Your TFSA

Description

The coronavirus continues to spread worldwide, albeit at a slower rate. There are more than two million cases globally, and close to 30,000 cases in Canada. While stocks have rallied recently, we shouldn't rejoice too quickly. While lockdown measures appear to be working, a second wave of infections could occur. The stock market could crash again if this happens.

Stocks are cheap but there could be another crash

Stocks are trading at [attractive valuations](#), but we should stay prudent as more downsides are likely. Lockdowns appear to be paying off, but analysts warned that loosening them too soon could have severe consequences.

Policymakers must be extremely vigilant and cautious before easing containment measures, or we risk facing a second wave of infections that could be more intense and would prolong the recession. If that occurs, pessimism will come back into the world and reflect in the stock market.

Even if there isn't a second wave, consumers will likely act differently post-virus. They will be more hesitant to travel. They will probably save more. This lower spending will hurt the economy and bottom lines.

So, while stocks are trading at an attractive risk-reward, it's better to be prudent.

For the overall stock market, [dividends](#) are at risk of being reduced or cut due to a decline in cash flow and the uncertainty surrounding a rebound. Stocks that can weather the current turmoil without cutting dividends represent an attractive investment in a world of low yields.

Cascades profit from the toilet paper rush

Cascades ([TSX:CAS](#)) is the kind of stock you want to own during a pandemic, as it goes up while the rest of the market goes down. The recent bear market might have hit your TFSA hard. This stock should help it regain some ground.

Cascades' stock has soared about 25% since the start of the year. Why is this stock rising so much? The reason is simple: Cascades is making tissue products, including paper toilet.

Since the start of the pandemic, people have been stockpiling toilet paper from fear of a shortage. So while many companies' sales are slumping, Cascades' sales are exploding.

Cascades factories, including the Candiatic plant that produces toilet paper and paper towels, are currently operating at maximum capacity and hygiene measures are being enhanced in employee common areas. The company is doing everything necessary to meet demand in these exceptional circumstances.

What's also interesting about Cascades' stock is that it pays a quarterly dividend of \$0.08 per share (\$0.32 annually), for a yield of 2%. In August 2019, the company increased its dividend by 100%. There's certainly room for more increases, as earnings per share are expected to reach \$1.08 in 2020.

EPS is expected to grow by 107.10%, from \$0.14 to \$0.29 for the quarter ended March 30.

Cascades announced a few days ago that it plans to supply recycled plastic necessary for the manufacture of medical visors to support the fight against COVID-19. The company thus responds to the initiatives of the companies Tristar and Bauer, ensuring the final assembly of the components.

These special orders will add to Cascades' current production activities and will not affect the company's continued ability to manufacture essential products.

CATEGORY

1. Coronavirus
2. Investing

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1. coronavirus

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1. TSX:CAS (Cascades Inc.)

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