TFSA Investors: 1 Great TSX Stock I'd Buy With $6,000

Description

If you're a TFSA investor who's overweight in cash, now is not the time to wait around while this market crash passes you by.

Sure, the market recovery has been unprecedented, with the **TSX Index** bouncing back 27% in under a month, but there are still bargains out there. And as a stock picker, you're able to pick your spots carefully, so you don't get burned badly should the broader markets suddenly reverse and surrender a chunk of the gains posted over these last few weeks.

Be cautiously optimistic while others are greedy

While the market may be mostly "over" the coronavirus pandemic, it's vital to not get too complacent, especially given the possibility that a resurgence in infections could happen.

As China reboots its economy, many Canadians are hopeful that Canada could pick up where it left off prior to the pandemic within two years or so. Even if we are in for a V-shaped recovery from the coronavirus pandemic, it's vital to remember that we're headed for a recession, and not every industry is poised to revisit its all-time highs within a year or two.

Consumer cyclical and discretionaries, like battered retailers, could be in for a slow and steady recovery that could take many years, whereas unfairly beaten-up staples could stand to make new all-time highs by year-end.

Playing defence doesn't have to be unrewarding

Consider shares of defensive dividend stock (and ever-improving bond proxy) **Emera** (TSX:EMA), which is now just off 7% from its pre-pandemic high, after plunging nearly 30% on the coronavirus crash. The top-tier utility has made moves to improve its operating mix over the years, with agravitation towards highly regulated operations and away from unregulated non-core operations. Theresult is a higher quality of earnings due to its more predictable nature.

I'd noted in a prior piece that Emera deserved a higher premium multiple because of its past efforts to become a more regulated utility. Thanks to Emera's exceptional management team, the company continues to become a better bond proxy for conservative income investors who seek stability through rough and rocky times.

Emera's recent drop proved to be overextended, and although the opportunity to buy the stock at a steal has come and gone, I think that the stock still has a heck of a lot more upside, as investors look to rotate into defensives to better prepare for the recession.

Cautious optimism can pay major dividends

Fellow Fool David Jagielski sees Emera as a compelling safety play with a strong dividend (which currently yields 4.4%) for cautiously optimistic investors who want to participate in a market rebound without having to risk their shirts.

"Over the past three years, Emera's operating income's come in at more than $1.3 billion — more than double the $555 million it generated in 2016. With strong growth and impressive margins, Emera's an exciting stock to hold and one that can be resilient through any market crash." wrote Jagielski.

Looking ahead, management is looking to invest in another 600 MW worth of solar projects. With ample growth opportunities in an era of rock-bottom interest rates, I'd say Emera is a great buy for your TFSA in these uncertain times.

Stay hungry. Stay Foolish.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/08/27
Date Created
2020/04/18
Author
joefrenette