TFSA: Top 2 TSX Index Value Stocks for June

Description

If you've got an extra $6,000 lying around in your Tax-Free Savings Account (TFSA), now is as good a time as any to put it to work in some of the more battered stocks out there today.

TFSA investing in the age of extreme volatility

The coronavirus disease 2019 (COVID-19) pandemic has decimated various sectors of the Canadian economy. And while there's no telling how bad things will get from here, there's an opportunity to buy stocks at a steep discount to intrinsic value. The ridiculous magnitude of volatility has paved the way for a more inefficient market, meaning that there's a better chance for DIY stock pickers to beat the market moving forward.

While COVID-19 is undoubtedly clouding the future of many industries, certain stocks are so oversold that there's ample value to be had, even if things do change forever in a post-pandemic environment.

While many industries, such as the airlines, could be on a multi-year L-shaped recovery to pre-pandemic levels, there are other battered industries (restaurants, office and retail real estate) that are in a position to bounce back a lot sooner than most think. This piece will have a look at three extremely hard-hit businesses with stocks that are too cheap for their own good.

Restaurant Brands International: A prudent way for TFSA investors to bet on the reopening of the economy

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is a fast-food kingpin that's taking over the quick-serve industry one brand at a time. The firm behind Tim Hortons, Burger King, and Popeyes has been under pressure amid the COVID-19 pandemic, as dine-in has been shuttered in various geographies.

Shares of QSR imploded on themselves, but have since begun to rebound in a big way. Today, the stock is down about 30% from its $104 all-time high, with a higher-than-average 4% dividend yield. If you're like me and believe that people will start dining in once it's safe to do so, QSR is a name that could have ample short- and long-term upside as the economy inches closer towards reopening.

The company is liquid enough to survive the coronavirus onslaught and is even in a spot to benefit as many of its smaller, less-liquid peers look to close their doors permanently. As one of the bluer blue-chip stocks on the **TSX Index**, TFSA investors would be wise to start scooping up shares today before comps have a chance to bounce back after one of the worst operational disruptions in recent memory.

MTY Food Group: A battered food court staple that looks severely oversold

MTY Food Group (TSX:MTY) is the Canadian firm behind popular food court staples such as Thai Express, Vanellis, Taco Time, and Yogen Früz, to name a few. With mall traffic grinding to a halt amid coronavirus-induced lockdowns, MTY took a massive hit to the chin. Many of its locations are unable to remain open for takeout, and that put the fast-casual firm in a spot to see its revenues implode.

The stock got crushed, with shares losing over 70% of their value on the coronavirus crash. The stock is currently down around 69% from all-time highs and could be in a position to come surging back once the economy reopens in phases. Eventually, the food courts will be open for business again, and hungry shoppers will return.

In the meantime, the trajectory of MTY stock will be primarily dictated by news relating to the coronavirus. With shares trading at 0.83 times book, though, I see ample upside to be had in a return to normalcy for those willing to put up with the volatility.

MTY's liquidity position may be concerning to some, with a quick ratio of just 0.63. MTY also has its fair share of debt (1.75 debt-to-equity), so the stock is not without its risks. If anything, but a worst-case scenario happens with this pandemic, I suspect MTY could prove to be a massive bargain for deep-value TFSA investors.

As such, value hunters should seek to jump in before the Canadian economy has a chance to reopen.

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joefrenette