TFSA Investors: 1 TSX Stock to Buy Today With $6,000

Description

TSX stocks at large have surged more than 35% in the last three months. The recent recovery has indeed been phenomenal, given the magnitude of the epic COVID-19 crash in March.

However, the current market rally might not sustain amid the increasing broader market uncertainties. I think investors who are sitting on some cash can consider adding some high-quality defensive stocks to shield from volatile markets.

A TSX stock that offers stability and reliability

A $1.5 billion **North West Company** (TSX:NWC) is a Canadian retailer that sells food and everyday products to underserved communities and neighbourhood markets. It prominently operates in northern Canada, Western Canada, rural Alaska, and the Caribbean.

North West offers products spanning from food, apparel, and appliances to services even like income tax return preparations and money transfers.

North West's stores in niche markets, along with its unique product portfolio, make it stand tall among typical retailers. It generates more than 90% of its total sales from essentials products. This makes its top line relatively stable, even in an economic downturn.

In the last five years, it has managed a slow but consistent revenue growth. North West reported a net income growth of 6% compounded annually in the same period. Notably, North West generates relatively lower margins, probably due to its low-profile locations, compared to mainstream retailers.

However, its presence in almost no competition markets and stability make it an attractive investment proposition.

North West Company: Dividends and valuation

North West Company's earnings stability facilitates steady dividend payments for its shareholders. The company pays handsome dividends with a yield of 4.5%, larger than many traditional large-sized retailers. North West has also increased its dividends by a fair 2.5% compounded annually in the last five years.

In the last 10 years, North West stock has returned more than 120%, including dividends, notably beating the **TSX Index**.

Interestingly, North West stock has been much faster to recover in the post-COVID-19 crash. It has surged more than 75% in the last three months. In comparison, shares of **Dollarama** and **Loblaw** have surged 35% and 10% in the same period, respectively.

The Foolish takeaway

Despite the rally, NWC stock is currently trading 19 times its 2020 earnings estimates. Investors should note that market participants have been increasingly turning to defensives like mainstream retailers Dollarama and Loblaw.

And that's why both these classic defensive stocks have become too expensive in the current rally. North West stock's current discounted valuation indicates more upside potential from its current levels, compared to that of peers.

Canadians have one of the most tax-efficient investment options in the form of a Tax-Free Savings Account (TFSA). Dividend or capital gains generated within the TFSA are tax-free throughout the holding period as well as at the time of withdrawal. The TFSA contribution limit for 2020 is $6,000.

North West's presence in niche markets, its juicy dividend yield, and a discounted valuation make it an appealing bet for long-term investors. A TFSA will be apt considering its strong total return potential.

Apart from NWC, investors can consider equally strong stocks to diversify.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing

Date
2025/08/22
Date Created
2020/06/18
Author
vinitkularni20