



TFSA: I'd Invest \$6,000 in 2 Crashing TSX Stocks Today Ahead of a Stock Market Recovery

Description

Outside of the white-hot, pandemic-resilient tech space, stocks look quite [cheap](#) and ripe to pick for value-hungry TFSA investors. If you're willing to buy shares of hard-hit firms that nobody else wants to buy right now, you could improve your chances of obtaining excess risk-adjusted returns going into the year end.

Warren Buffett has been quietly swinging at pitches that Mr. Market has been throwing his way in recent months, with the purchase of natural gas pipeline and storage assets at a bargain price just shy of US\$10 billion and two separate helpings to shares of **Bank of America**.

Following Warren Buffett into opportunistic sectors

The energy and financials have arguably been two of the [unsexiest](#) places to invest over the last several months. And that's precisely why Warren Buffett is finally willing to jump in amid the pandemic, despite the massive uncertainties that have yet to fall into the rear-view mirror. If you're like Buffett and are willing to go against the grain, as the **TSX Index** inches closer towards recovering from the 2020 stock market crash, now may be an opportune time to put your uninvested \$6,000 TFSA contribution to work across the plethora of bargains that are still out there.

In this piece, we'll have a look at a battered energy infrastructure stock **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) and a bruised Canadian bank **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), both of which could lead the next upward charge as the recession evolves into a recovery on the back of a new bull market.

TFSA top pick: TC Energy

TC Energy isn't just another midstream energy transport company. It's more utility-like in nature with operating cash flows that are more reliable than most give it credit for. While the recent weakness in the energy sector has weighed on shares of TRP, I'd treat the pullback in the stock as nothing more

than an opportunity to take on a bit of short-term pain for a shot at long-term gain.

The company faced a bumpy road in the second quarter (lower volumes on the Keystone pipeline alongside lower storage and power earnings). However, the long-term fundamentals still look very much intact. The top-tier company is arguably the best Canadian pipeline stock to own in this uncertain environment, with its attractive 5.3%-yielding dividend that's poised to grow by up to 10% annually until 2021. As new cash flow-generative projects come online, though, I suspect management will aim to continue growing the dividend in the mid-single digits at minimum.

For now, TC Energy is a cheap way to follow Warren Buffett's newfound bullishness on natural gas assets. TC stock trades at a mere 2.02 times book and is a great buy for any TFSA investor who wants a growing dividend and above-average capital appreciation potential over the next three years.

TFSA top pick: Bank of Nova Scotia

Bank of Nova Scotia is another wonderful business that's fallen out of favour amid the coronavirus market crash. You're probably aware of the sheer magnitude of weakness that the banks have been facing of late. Bank of Nova Scotia hasn't been immune to the macro headwinds, having posted steepening provisions of late. In the latest quarter, the bank's capital equity tier one (CET1) ratio dipped to 10.9% from 11.4% thanks primarily to risk-weighted assets.

There have been a few dents in the armour of Bank of Nova Scotia, but at today's depressed valuations, I think that a majority of the bad news and potential for further weakness is already baked in (and then some). Bank of Nova Scotia is undoubtedly a riskier bank amid rising credit losses, with its exposure to emerging markets. But management did note that in scenarios that it ran, the CET1 ratio stayed above the 10% mark (9% is the regulatory minimum).

The internationally focused Canadian bank certainly isn't without its risks. Still, with shares currently trading at book value, I'd say now is a great time to start accumulating shares while the yield is swollen at 6.6%. It's times like these that allow TFSA investors a shot to lock in a huge yield alongside potentially outsized gains in a market recovery.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TRP (Tc Energy)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Sharewise
6. Yahoo CA

Category

1. Investing

Date

2025/08/17

Date Created

2020/08/04

Author

joefrenette

default watermark

default watermark