TFSA: Turn $6,000 Into $10,000 With This Battered Income Stock

Description

The stock market faces profound uncertainties heading into the third quarter, and that has many Canadians keeping their 2020 TFSA contributions ($6,000) in cash. The second wave of COVID-19 cases, the U.S. presidential election, and a potential slowdown in economic recovery could send stocks into another correction over the coming weeks.

These days, excitement over a U.S. fiscal package and President Trump's recovery from COVID-19 have been major market movers. Many speculators still seem to be sticking around with some of the "frothy" first-half-of-2020 winners, and if we are due for another bout of market volatility, there's no question that we could see stocks overshoot to the downside, although probably not to the same extent as back in February and March.

Amplified volatility and another round of selling ought to be seen as an opportunity, not a setback for TFSA investors with enough dry powder on the sidelines to take advantage of opportunities as they arise. The U.S. Fed is still standing in the side of investors, and come the next dip, Foolish investors should be ready to buy.

One stock that I think is likely to rally in the face of the next market-wide pullback is **Shaw Communications** (TSX:SJR.B)(NYSE:SJR), a misunderstood telecom that will be bringing the fight to its peers amid this crisis.

Shaw Mobile may be the perfect catalyst as we head deeper into the coronavirus recession

Shaw recently unveiled its Shaw Mobile offering, which offers an unprecedented magnitude of savings to its existing internet subscribers. For prospective bundlers who aren't stuck in a contract with the Big Three telecoms, the Shaw Mobile value proposition is hard to pass up, as Canadians look to collectively tighten their belts in the face of a worsening coronavirus recession.

Shaw's wireless offering may not be the best in terms of quality, but the bang for the buck is arguably one of the best in Canada right now. And I think such a value-conscious offering could fuel massive subscriber growth at the incumbents' expense over the next few quarters, as Shaw ramps up with its marketing promo. Of course, Shaw's competitors will gradually lower the price bar to win back subscribers who are on the fence. However, Shaw is still forcing its bigger brothers to play in its arena, and that has me thinking SJR stock could be headed as high as $30 by year-end.

Shaw's free cash flows (FCF) also look to be on a nice upward trajectory, despite pandemic headwinds that have collectively weighed on the telecoms. Downtrending capital expenditures could translate into greater FCF conversion over the coming years, as Shaw looks to win over subscribers from its competitors.

I also believe Shaw is better suited to operating in the new lower-cost telecom environment. With a lower-cost base product, Shaw looks like it's better able to boost its average revenue per user (ARPU) versus its pricier peers, as the economy gradually recovers through 2021.

The Foolish takeaway for TFSA investors

Shaw's management team has been doing a magnificent job of disrupting the Canadian telecom scene. As the recession worsens, I think the floodgates will open, and Shaw could be in a spot to win over a massive number of new subscribers thanks to its top-notch value proposition.

I think the Shaw story has largely gone unnoticed by folks on the Street and would encourage TFSA investors to scoop up shares today and on any weakness, as I think Shaw's coming quarters could end up moving the needle in a big way.

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