TFSA Top Pick: Undervalued With Room to Run, This Lesser-Known Stock Is Begging to Be Bought!

Description

If you've yet to spend your $6,000 TFSA contribution, now is looking as good a time as any to put it to work now that two effective vaccines are pointing to a 2021 end to the coronavirus pandemic, with a favourable U.S. election result that wasn't as bad as feared.

Indeed, two hazes of uncertainty have begun to clear up. With more clarity on the vaccine timeline, TFSA investors waiting for fewer uncertainties now have a chance to put their money to work, albeit at much higher prices than when uncertainties and risks were high back in September and October when the stock market was a choppy roller-coaster ride of emotions.

Tech stocks have taken a back seat to COVID-hit value stocks that have been busy "correcting to the upside" since news of **Pfizer**'**s** breakthrough vaccine landed last Monday. The tech-to-value, defensive-to-aggressive, COVID-resilient-to-COVID-battered rotation, or whatever you want to call it seems to be in full force. And while it could carry on well into year's end, I still think it's a smart idea to nibble away at some of the unfairly-sold-off defensives that didn't deserve to pull back.

Worried about a market retracement? Fly North West!

Consider shares of **North West Company** (TSX:NWC), an essential retailer that investors have been ditching amid last week's promising vaccine news. The retailer primarily serves underserved rural locations and is less likely to trade alongside the broader **TSX Index**.

Shares have since corrected just over 10%, after briefly touching a fresh all-time high back in late September. As a defensive that's likely to hold its own amid a worsening second wave of COVID-19 cases, North West should be bought and held by TFSA investors, not ditched for COVID recovery plays, many of which may not be in for relief until the latter part of 2021, if not later.

North West isn't just an essential retailer; it's an essential stock for the defensive portion of your portfolio, especially after the latest dip. There's no telling when the next market crash will be or what will cause it. As valuations continue to swell amid this rally, I think it'd be wise for investors to scoop up a boring but beautiful defensive like North West before TFSA investors recognize the value to be had in the recently corrected stock.

Shares trade at 14.3 times trailing earnings, with a bountiful 4.4% dividend yield at the time of writing. With a minimal magnitude of disruption in the cards as this pandemic worsens, North West stock looks to be one of the better, lesser-known consumer staple stocks with a valuation that's just too cheap to pass up.

Depressed valuation and strong technical support suggests limited downside

As for technicals, they look quite solid, as shares approach oversold territory and a long-term level of support in the $32 levels. Whenever the valuations suggest a margin of safety and the technicals paint a near-term level of support, it's increasingly likely that you're looking at a timely opportunity that you should act on with your TFSA before it has a chance to move.

At $33, North West stock looks like a buy before it has a chance to participate in a broader growth-to-value rotation.

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