RRSP Investors: A Top Stock to Buy Right Now

Description

RRSP investors have many options after the latest round of market volatility sparked by the erratic bond market. The 10-year U.S. Treasury yield has been surging of late, now flirting with the 1.5% mark, up from sub-1% levels. Higher bond yields mean future earnings of businesses are worth less. As bond yields continue climbing, high-growth stocks will get pummeled even further.

Now, nobody knows what the bond market's next move will be. Rates could break 2%, only to fall back below 1%, they could continue climbing over the next several months, or they could remain stagnant right here at 1.5%.

RRSP investors should think long term

In any case, I wouldn't attempt to time the bond market and its effect on the stock market. Instead, I'd look to spot value within the individual companies themselves. If you spot a stock that's trading below where you think it should be worth, buy it. If it falls after you've bought, buy more. And I don't care if the undervalued stock you're looking at is thrown into the "growth" or "value" basket. If you stand to get more from a stock over the long term than its current price of admission, punch your ticket, with less consideration for what anyone thinks the U.S. Federal Reserve's next move will be or when this horrific pandemic will finally be over.

Rattled by this sell-off? Take a page out of Warren Buffett's playbook

You'll overwhelm yourself by trying to predict the outcome of highly uncertain exogenous events like the future trajectory of bond yields. You should focus on what great investors, like Warren Buffett, do in times of great uncertainty: analyze the stocks of businesses and purchase shares of said businesses when they trade at a price that doesn't fully reflect one's estimate of its intrinsic value.

Moreover, you should have the proper asset allocation, so your RRSP portfolio is ready for whatever comes next. In the case of bond yields, you should strike your perfect blend of high-growth stocks, lower-growth stalwarts, alternative assets, and cash such that you'll be fine with whatever Mr. Market has in store for the bond or stock markets.

Be ready for anything, and you'll do well over the long term, regardless of what's troubling the folks on Bay and Wall Street, who *always* will be worried about something.

RRSP investors: Be ready for anything!

If you believe that the 10-year U.S. Treasury will continue their ascent, make sure you're not one of many beginners who've overweighted themselves in hyper-growth tech stocks, as they could be in a spot to take on more damage.

If you are overweight tech and growth, treat the recent weakness as an opportunity to bring your RRSP portfolio back into balance with discounted dividend stocks like **Emera** (TSX:EMA), which could find itself in an "isolated" bull market, even as your average tech stocks fall into a bear market.

Why is Emera one of my favourite long-term RRSP picks? It's a Steady Eddie stock that's less correlated to the broader markets. With a 5% yield and a growing mix of regulated operations, the stock is a terrific value option for growth-focused RRSPs that could be most at risk if the bond yields were to continue rising at this pace.

The company has a well-covered payout, and its quality of earnings, I believe, will only increase over time as the firm moves away from non-core assets towards more regulated operations. In a world of surprises, you'll have far fewer with a name like Emera.

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