TFSA Investors: Should You Buy Growth Stocks on the Dip?

Description

Tax-Free Savings Account (TFSA) investors who've yet to put their latest $6,000 contribution to work may have a perfect opportunity to do so after the latest market sell-off sparked by the recent uptick in the 10-year U.S. Treasury yield. Higher bond yields are bad news for stocks, especially the growthiest ones.

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The **NASDAQ 100** index is now flirting with a correction, but the **S&P 500 Composite Index** has barely budged in comparison, as we've witnessed a modest rotation back into value and cyclicals. Still, many parts of the market have been unfairly battered. It's these such areas that I'd look to deploy any uninvested TFSA cash if you've been waiting for the froth to be cut off the top.

How to proceed in this wildly volatile stock market as bond yields creep higher

Don't feel the need to take drastic action based on the latest uptick in U.S. bond yields. Just ensure your portfolio is in a spot to hold its own should the trend continue or reverse over the coming weeks and months. If bond yields retreat again, you'll kick yourself for not having picked up your favourite growth stocks on a correction. And if bond yields keep climbing, perhaps above the dreaded 2% mark, you'll stand to feel even more pain if your TFSA portfolio is too light in value names.

So, rather than taking the advice of some random market strategist on TV, I'd look to play both scenarios. That way, my long-term-focused TFSA portfolio will be ready for whatever Mr. Market throws at it next.

While there's no telling how much higher the 10-year can climb or how much lower growth stocks have to go, I would look to nibble into a small position in battered growth names on the dip while also scooping up the value stocks that'll hold their own if this bond yield rally is just the start. In any case, bond yields aren't yet attractive enough, given their negative real yields (yields relative to inflation), making risk-on securities (equities, REITs, commodities) and cash the only games in town.

With a portfolio that's carefully balanced with growth, value, and alternative investments, I believe you can better weather this volatility storm, regardless of what the bond market's next move will be.

So, without further ado, let's have a look at one stock that's both a growth, value, and reopening play all in one. I also think shares are so cheap such that they'll be headed higher, regardless of what the bond market does over the near-term.

Growth? Value? Reopening? Why not all three?

Enter **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), one of my favourite undervalued dividend growth stocks to play the economic reopening. The fast-food juggernaut behind beloved restaurant brands such as Tim Hortons, Burger King, and Popeyes could be ready to blast off to new heights as investors look for a way to play a late-2021 or early-2022 return to normalcy.

QSR doesn't have the best delivery, mobile, and drive-thru infrastructure in the world, making the firm vulnerable to COVID-19 lockdowns. With a greater reliance on dining rooms than some of its industry peers, there's no question as to why the stock is still down considerably from its highs. Add company-specific challenges (like those experienced by Tim Hortons) into the equation, and you've got yourself a formula for a perennial underperformer.

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With shares at the lower end of the valuation range, though, I think the stock has an unmatched risk/reward ahead of a potential reopening. The company has committed to modernizing its drive-thru experience. With a slate of compelling menu offerings that will likely be gobbled up by consumers post-COVID, the stock could realistically make a run to $100.

CATEGORY

1. Investing

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1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

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