2 TFSA Stocks Are a Screaming Buy Right Now

Description

In 2021, you can add another $6,000 to your Tax-Free Savings Account (TFSA). Unfortunately, most Canadians do not save enough to deploy the full $6,000. Of those who do, most keep their TFSA in traditional savings accounts that earn little interest.

Even if you're a sophisticated growth or dividend investor, 2021 is a difficult year to pick stocks. Stock prices have escalated over the past year, which means finding a good deal is as tough as ever. Nevertheless, here are my top two TFSA stock picks that are screaming buys right now.

TFSA stock 1

Canada Goose (TSX:GOOS)(NYSE:GOOS) is a top pick for anyone seeking growth. The luxury outerwear maker has three key engines driving growth over the near-term.

The first major driver is expansion in China. Chinese consumers account for a third of global luxury demand. Rising incomes in the country have created a fertile ground for global luxury brands to thrive — and demand for Canada Goose seems to be pretty robust.

However, the company has just a handful of stores in China. As this footprint expands, sales should escalate.

Second, the focus on direct-to-consumer and online sales is helping the brand reach a wider pool of buyers. Growth in e-commerce should bolster sales. Meanwhile, Canada Goose is exploring expansion beyond the outerwear market. Adding light clothing and costs suitable for climates besides Canada's frigid winters could magnify sales.

Canada Goose stock trades at 34.6 times forward earnings and seven times sales per share. That's below fair value for a company growing at a double-digit pace every year. Add this TFSA stock to your watch list.

TFSA stock 2

Magna International (TSX:MG)(NYSE:MGA) is Canada's sleeping giant. That's because most investors don't recognize the growth potential here. This seemingly boring auto parts supplier is actually at the forefront of several technologies.

Magna has long-standing relationships with the biggest car brands in the world. In fact, it supplies parts or manufacturers vehicles for over 58 multinational automakers. In recent years, the company has convinced its corporate partners to finance new technologies such as parts for electric cars and a system for self-driving.

This co-investment model lowers Magna's risk of innovation. The company can deploy immense funds in research and technology. Once the technologies have been perfected, it can work with its partners to integrate them across their product lineup.

The adoption of electric vehicles could expand Magna's gross margins. Meanwhile, self-driving technology should boost the volume of cars sold each year. However, Magna stock hasn't priced in these revolutions yet. The stock trades at just 16 times free cash flow and 1.03 times sales per share. It's a TFSA stock that offers both dividends and growth at a bargain.

CATEGORY

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2. NYSE:MGA (Magna International Inc.)
3. TSX:GOOS (Canada Goose)
4. TSX:MG (Magna International Inc.)

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