TFSA Investors: Where to Find Enormous Value in April 2021

Description

TFSA investors who've yet to invest their 2021 contribution of $6,000 should strongly consider nibbling away at the bargains that exist on the TSX today, rather than waiting for the market crash or correction, which probably won't come when you think it will. Numerous pundits and big-league banks were ringing the alarm bell, expecting a correction to wipe out the froth in this market. Although the Nasdaq 100 fell into a correction, the value-heavy S&P 500 and growth-light **TSX Index** barely felt the impact from the growth flop.

If you were waiting for a correction, you got one, but probably not the one you were expecting. In any case, I think TFSA investors should swing at some of the pitches thrown by Mr. Market this April, because there's no guarantee that any better pitches will be coming around going into the latter part of 2021.

Where are the opportunities in today's market?

Speculative growth stocks, which have been pummeled at the hands of the bond market, may have overswung to the downside, making them worthy of a sizeable bet. As you're probably now aware, higher bond yields mean growth stocks are worth less. The further out in the future a said growth stock expects to be profitable, the greater punishment they shall deserve.

TFSA investors: Speculative growth stocks are worth a second look

As bond yields ascend to 2% and beyond, I expect even more pain in the basket of speculative growth stocks. And it's these areas that long-term-focused TFSA investors should be looking to. **Shopify** (TSX:SHOP)(NYSE:SHOP) stock is one of my top picks in April, now that shares are fresh off a painful 30% correction.

With shares trading at around 44 times sales, the growth stock is hardly a "value" investment. As Warren Buffett once said, though, every investment is, in fact, a value investment. Get more than what you bargain for, and you're a value investor, even if you're a growth investor!

While the company deserves to have taken a hit to the chin, I think the damage has been excessive, and any reversal in the bond markets could pave the way for a steep bounce. In any case, Shopify is a generational growth stock that could be bought on any big dip.

This one may be different, with higher bond yields and fading pandemic tailwinds up ahead. Still, if we've learned anything from the years of watching the e-commerce giant, it's to never bet against Shopify CEO Tobias Lütke. The stock has defied infamous short-sellers and the laws of gravity for years. I expect more of the same as we transition through this period of higher inflation and diminishing tailwinds. So, stash Shopify stock in your TFSA and just forget about it for decades.

What about the cyclicals?

Most pundits will point you in the direction of the cyclicals ahead of a boom that could go down in the history books as the "roaring 2020s." Going into April, such cyclical value stocks have been bid up slightly, but others, like **Magna International**, could still have ample room to run ahead of the great reopening.

As an auto-parts maker, Magna is exactly the type of cyclical that you'd expect would outperform in the early stages of a new bull market. What makes Magna stock that much better is the possibility that it could be working on the much-anticipated **Apple** Car. Personally, I think a Magna-Apple EV (electric vehicle) collaboration is a match made in heaven. At the very least, TFSA investors should keep Magna on their radars.

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