



The 2 Best Stock Picks for TFSA Investors This January

Description

January has been pretty [turbulent](#) of late, with tech continuing to drag the growth-heavy Nasdaq 100 lower. While the action behind the scenes has undoubtedly been more vicious than what's reflected in the S&P 500 or tech-underweight TSX Index, I think investors must take note of the rate-induced growth selloff that may not be over just yet.

Indeed, many of the sexiest growth stocks have now seen their multiples contract by a considerable amount. Many top growers have been cut in half, despite nothing fundamentally horrific going on at the company-specific level. Undoubtedly, higher rates are bad news for such names with nothing to look forward to (at least over the near to medium term) on a profitability basis. The real question is whether imminent rate hikes for 2022 have already been baked into the hardest-hit area of the market. I think a trio (or maybe even four) rate hikes in the U.S. are currently expected by investors. If the Fed hikes fewer times, then tech stocks may have room to ricochet off some sort of bottom this year.

Shopify stock gets crushed: Shares may or may not be dirt cheap versus its growth

On the flip side, if we're due for five rate hikes this year, as Jamie Dimon seems to expect, there could be more pain ahead for the high-multiple names. If rates were to rise faster, as Dimon expects, you can count on the high-multiple names like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) to continue leading the charge lower. Indeed, the stakes remain high, despite shares of Shopify already shedding a third of their value from peak to trough, surrendering the title of Canada's largest company by market cap in the process.

It's hard to tell how many rate hikes we'll have. With fewer than three, I'd argue that growth is a great bargain here. At more than three, high-multiple tech, like SHOP stock, could easily have another 20% or more downside.

So, what's the best strategy for TFSA investors this January? If you've made your \$6,000 contribution and are looking for places to put it to work, you may wish to consider playing both sides of the coin. Do

invest in growth, but don't invest in expensive, unprofitable growth just yet, as they could bleed out further if rates rise four or more times this year.

Profitable growth for cheap?

Instead of betting the entirety of your \$6,000 on Shopify stock here, consider a profitable growth stock at a value multiple. **Alimentation Couche-Tard** ([TSX:ATD](#)) fits the bill as a value stock with solid growth prospects. Indeed, Shopify stock has more upside if we're dealt fewer rate hikes this year — not to mention management is unbelievably strong.

Couche-Tard currently goes for around 16 times trailing earnings. With a double-digit earnings growth to be expected, the multiple is way too cheap for its own good. Why? Investors are confused as to the firm's strategy, as EVs continue rolling out. Undoubtedly, Couche-Tard derives a good chunk of its sales from fuel. With progress in Norway, a market that's embraced EV at a higher rate, I think investor concern is unwarranted, and that the discount in shares makes no sense.

To doubt Couche's ability to adapt in the new age could prove to be a mistake. Rest assured; Couche has some of the most brilliant managers out there.

The bottom line for TFSA investors

If you're a TFSA investor on the hunt for a bargain. Couche-Tard and Shopify stock seem like an intriguing risk-on/risk-off combo to consider. Indeed, put in your own homework before buying shares of either company, as risks are elevated in 2022. And the only thing that's guaranteed, it seems, is [volatility](#).

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:SHOP (Shopify Inc.)

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