3 Stocks to Prepare Your TFSA for a Potential Market Sell-Off

Description

The fear index. It's the nickname for the U.S. stock market's volatility index. Traders look to it to see how much volatility is in the market at any given time. And of course, even just looking at it can bring fear. But it's not just in the U.S. – being so close, Canadians and their Tax-Free Savings Accounts (TFSA) also stand to lose money should fear send the market falling.

So how should Canadians prepare their TFSA for a potential market sell-off? And do they really need to worry? Right now, the volatility index sits at 22.33. Anything higher than 20 implies a high-risk environment. Earnings could be the catalyst that either brings volatility up or down.

It's no wonder then that Canadians have been flocking to value stocks instead of growth over the last few months. And honestly, it's where you likely should have run to in the first place. But it's never too late for long-term investors to get in on valuable action. And here are three to get you started.

Cargojet

Cargojet (TSX:CJT) may seem like a growth stock that TFSA investors might want to stay away from. However, with earnings on the way, analysts continue to dub the stock an outperformer. Further, it has a consensus target price of $249, representing a 42% upside as of writing.

This comes from the company making strong moves to grow at the right time. Before the pandemic, it already had a partnership with **Amazon**. Now, with e-commerce growth remaining strong, it has added 10 aircraft and two new destinations. Plus, B.C. flooding saw a huge increase in air freight with land travel impossible.

Today's share price is a strong jumping in point for long-term investors and their TFSAs. The world shifted during the pandemic, and Cargojet is one company that will take advantage of this future shift to air cargo.

CIBC

Yes, the Big Six banks continue to trade at all-time highs. But looking at their price-to-earnings ratios, you wouldn't know it. That also goes for **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), the third largest of the Big Six banks.

CIBC remains the top dividend provider of the Big Six for a TFSA, with a 3.9% dividend yield. Yet before the pandemic, those yields were around 5%, which means another boost could be coming. And trading at just 11.8 times earnings, it's certainly a deal. This comes from planning for a pullback, and taking advantage of the housing market. Not to mention a record year for revenue growth, and improving its business by investing in tech.

CIBC is likely to continue thriving well beyond the pandemic, and is the perfect defensive stock to have in a TFSA should the market fall.

Alimentation Couche-Tard

Finally, whether the pandemic continues or not **Alimentation Couche-Tard** (TSX:ATD) seems to be on the road to recovery. The owner of Circle K stores and partner of Esso continues to add even more global locations under its banner. And this has seen revenue soar in the last year.

Yet again, it remains a deal as it climbs back from the depths of pandemic-fuelled fear. Especially considering it just bumped its dividend by a whopping 26% two months ago. Long-term investors should jump on this stock as a long-term investment, and do well to hold on as it continues its growth-via-acquisition strategy. It's certainly bound to bring in cash for a TFSA long after any market pullback.

The shares are up 34% in the last year, with an analyst target price of $58. This is a potential upside of 14% as of writing.

CATEGORY

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2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:CJT (Cargojet Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)

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alegatewolfe