1 Top TSX Value Stock to Buy for a Rocky April

Description

The first quarter may be over, but don't think for a second that volatility will calm down anytime soon. There's just too much to worry about, with between eight and nine rate hikes currently priced in the 10-Year U.S. Treasury note. In Canada, inflation may be slightly lower than in the U.S. (which could surpass 8% this month!). Still, the battle against inflation needs the antidote of central bank tightening. Such an antidote won't be free of side effects, however. Economic growth will surely take a hit, with a potential chance that we'll slip into a recession.

Although the economic picture looks okay today, in spite of all the headwinds, it's difficult to gauge how GDP and markets will look going into 2023. The yield curve inversion happened, and it's been causing a bit of worry in the financial markets of late. Still, investors should not ditch all their stocks ahead of what could be a recession in the next year.

Remember, the yield curve doesn't tell us how severe the next recession will be or the nature of the recovery. If it's like the 2020 coronavirus recession, we could witness a V-shaped recovery. Further, given the amount of damage done to stocks in Q1, there's a chance that markets could prove more resilient from here. Indeed, the list of concerns has been weighing down many names for quite a while. If anything, many stocks are already in a deep bear market and not due to idiosyncratic reasons.

The case for continuing to invest, despite increased odds of a recession

While I would take the recession indicator of the inverted yield curve seriously, I would not differ the game plan if you've already adopted a value-conscious approach. Even in today's market, there is no shortage of stocks that are priced below where they ought to be, given their longer-term fundamentals. It's these strong fundamentals that will help value names outperform over the long haul, over the next 10 years and beyond — a time horizon that investors should be shooting for. Even if there's a 2023 economic contraction, investors should continue as planned and think about deploying capital on any meaningful dips.

With many folks looking for the S&P 500 to fall into a bear market, I'd look to take Warren Buffett's old-time advice by being greedy while others are fearful. The Ukraine war, COVID, and a hawkish Fed are scary. But remember that there's no sense worrying about how bleak things could get if others have already acted accordingly.

Though it's hard, acting like a contrarian is key to doing better in times like these, where the easy money has likely already been made.

Fundamentals still Intact

As April makes investors that much more woozy, I'd look for quality at reasonable multiples. Currently, **Intact Financial** (TSX:IFC) strikes me as a bargain in the financial space ahead of rising interest rates. The property and casualty (P&C) insurer has outperformed many of its peers in the Canadian insurance scene by leaps and bounds, thanks to its wonderful managers.

The stock trades at 15.1 times trailing earnings at the time of writing, with a 2.2% dividend yield. The $33 billion company seems like a bargain hiding in plain sight. And although shares could become cheaper as a part of a broader market selloff, I'd argue that any further dips ought to be viewed as a gift courtesy of Mr. Market.

At $187 per share, IFC stock is a quality play that's ought to be bought on strength. Indeed, few firms are positioned to get cheaper, even as shares rise.

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Date
2025/07/22
Date Created
2022/04/10
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