2 TSX Top Stock Picks for a TFSA Retirement Fund

Description

Your TFSA (Tax-Free Savings Account) is an invaluable tool that you should use to invest, even when the broader markets are a tad on the choppy side. Indeed, it's hard to find it within you to put money to work on stocks with all the negative headlines out there these days. The Ukraine-Russia war, COVID, rate hikes, and an inverted yield curve are just a few of the reasons why many TFSA investors are feeling just a bit on edge.

The S&P 500 is currently down around 9% from its high, with the recent relief rally failing in a very sharp and vicious way. With commodities and value holding up the TSX Index, there are many reasons to stay within the confines of Canada with your next big purchase. This selloff is concentrated in growth-focused tech. Remember, higher rates are worst for these types of companies that only trade by their sales. With no earnings to go by, it's tough to evaluate a firm, unless you know with certainty where rates will end up in 2024 or 2025.

TFSA investors: Staying with quality and value

Fortunately, you don't need to jump into the deep end of the pool with battered growth if you're not comfortable doing so with your TFSA. Your TFSA should be investing wisely, not speculating on opportunities to make a quick buck in a hurry!

In this piece, we'll look at two TSX stocks that I think are great additions to any long-term-focused TFSA retirement fund. While they could be vulnerable to downside going into the latter half of the year, I think that in the grander scheme of things, they'll come out on top.

CN Rail

CN Rail (TSX:CNR)(NYSE:CNI) is the boring Canadian railway stock that we're all familiar with. If you own a Canadian index fund, odds are, you already have a good amount of exposure. Still, I think there are reasons to get more than market weight in the railway, even if the economy flirts with a recession within the next 18 months.

The company is vital to the health of Canada's economy, and given how diversified its segments are, the railway should be able to hold its own better than the rest once the time comes for the economy to contract. Indeed, CN Rail was a pillar of stability during the 2008 recession. With a new CEO aboard and a plan to slowly move towards its former glory, I think TFSA investors should act on any dips. Down around 6.5% from its high, CNR stock looks like an intriguing pick-up at 23.1 times trailing earnings with its 1.85% dividend yield.

Indeed, you can't keep such a powerful wide-moat firm depressed for very long. It keeps on rolling, and investors should pounce whenever they're served up a decent entry point.

Suncor Energy

Energy prices have been skyrocketing into the stratosphere of late. Shares of **Suncor Energy** (TSX:SU)(NYSE:SU) was one of the boats that was lifted higher by the rising industry tides, now up 65% over the past year. Despite the momentum behind the name, the stock remains cheap and bountiful, with a 15.5 times trailing earnings multiple and a 3.9% dividend yield.

If oil slips, Suncor stock will take a hit to the chin. But if you're like many young TFSA investors who are short on energy exposure, Suncor is one of the cheap integrated plays that can help improve your overall risk/reward scenario. The way I see it, Suncor is a momentum stock, a value stock, a dividend play, and an excellent hedge all in one.

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