TFSA Investors: 2 Cheap Stocks to Buy in May 2022

Description

TFSA investors have many options this year, with the U.S. markets slipping into a deep correction. With rates surging on the back of coming rate hikes, Canadian investors may be wondering what they should do to reduce the impact of inflation without jumping into the deep end with all the volatility out there. Currently, I think TFSA investors should not shun growth stocks. The ones that have shed a majority of their value may still be buyable. Of course, that depends on where rates end up in a year or two from now.

Unfortunately, the pace of inflation gives central banks limited room to make a dovish pivot. Even with the crisis in Ukraine and China's battle with the pandemic and its difficult-to-achieve zero-COVID goal, it's clear that rates need to go higher as soon as possible before inflation moves into hyperinflation territory. Fortunately, there are many moves for TFSA investors to reduce the imminent damage to their wealth.

It's a rough road for TFSA investors as inflation surges

In this piece, we'll have a closer look at two cheap stocks I'd be looking to pick up in May 2022. Sure, the mantra "sell in May and go away" seems to make a heck of a lot of sense these days. The S&P 500 is down around 14%, while the Nasdaq 100 has been hit 23%. Many American stocks are in a bear market. Many Canadian stocks on the TSX Index may not be too far behind. That's why investors must evaluate their risk tolerance, so they can best recover from this meltdown.

While I do think growth stocks are due for a bounce once the market panic begins to show signs of subsiding, I'd look to balance growth and value because, like it or not, rotations across these types of stocks are bound to happen over the next 18 months, as the battle between bulls and bears turns into a battle between doves and hawks.

Shopify and Fortis stock: A worthy TFSA pair!

Consider **Shopify** (TSX:SHOP)(NYSE:SHOP) stock, a battered growth stock that's down around 75%

from its high. Though the decline is massive, investors should not expect any sort of bottom to be reached in the $500-$550-per-share range.

Undoubtedly, the fear of higher rates has dragged the price-to-sales multiple down considerably. It used to trade in the 50 times sales range. These days, it's in the mid-teens. As great a company as Shopify is, I'd argue that such a multiple is worth paying, as long as you're in it for the long haul. A majority of the damage may already be behind the stock, but that doesn't mean shares can't crumble another 30% or even 50% from these levels.

Undoubtedly, Shopify is one of the most innovative Canadian companies out there. And while things will turn eventually, I wouldn't look to jump into the deep end with a considerable sum.

To balance out a growth play like Shopify, I'd also look to pair it with a stock like **Fortis** (TSX:FTS)(NYSE:FTS). Indeed, Fortis is a boring utility stock, but with a recession potentially around the corner, it's names like Fortis that will have your back when the going gets tough. The 3.4% dividend yield is rich and can help you reduce the impact of inflation on your TFSA wealth.

Though Fortis isn't cheap at nearly 24 times earnings, I view the lower volatility and stability as worthy of a richer multiple.

Bottom line

There you have it. Shopify and Fortis — offence and defence played at the same time. TFSA investors may wish to nibble gradually, as we're slowly propelled into the market abyss.

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