1 Cheap Mid-Cap TSX Stock to Ride Out the Storm

Description

It's been quite the volatility storm so far this year. Dr. Michael Burry, the man made famous in *The Big Short*, recently stated that watching this market is like "watching a plane crash." Undoubtedly, Burry has been ringing alarm bells for quite some time. While it's hard to tell what's up next, with the S&P 500 and Nasdaq 100 both adding to their losses in a turbulent Tuesday of trade, I think investors should stay the course and only hit that sell button if they're looking to bring their portfolio back into balance.

If you were diversified before the 2022 stock market selloff, don't feel the need to take action. Like it or not, the biggest rebound days tend to follow the worst down days or the longest losing streaks. Nobody knows when the bounce-back days will arrive or if they'll be more sustainable than the last bear market bounce we experienced just a few months ago.

In this piece, we'll focus on one cheap Canadian stock that I view as a great play to ride out the storm that may very well continue into the summer and fall months. Inflation is scorching hot, but it's shown signs of peaking (at least in the U.S.). Though it'd be nice if inflation suddenly crashed to 2-3%, I think that the combination of Fed interest rate hikes and falling share prices will be the forces that put that dreaded inflation genie back in its bottle.

Here in Canada, the stock market has held steadier, buoyed by energy and materials stocks that enjoyed the windfall of higher commodity prices. With a Bank of Canada that's severely behind the curve, inflation could persist for longer. Undoubtedly, the Bank of Canada seems like it's asleep at the wheel, with Canadian CPI number flirting with 7%. Can they make up for their lack of action with a full 100 bps or higher rate hike in one go? Perhaps. However, investors should not expect such, given their willingness to let inflation run thus far.

Stagflation seems likelier by the day. But there are stocks out there that are so cheap that they're better able to take a hit to the chin without falling to the canvas. Consider shares of Canadian toy maker **Spin Master** (TSX:TOY).

Spin Master

Spin Master stock is a toymaker that's behind popular brand names such as PAW Patrol and Hatchimals. The firm has also been busy acquiring old-time toy brands, including the likes of stuffed animal maker Gund, legendary Etch-a-Sketch, and the unmistakable Rubik's Cube. With an innovative pipeline of new toys and enough cash on the balance sheet to continue to pursue acquisitions, I think Spin Master is a growth darling that should not go ignored amid this selloff.

The company is a cash cow that could bolster its bottom line with its digital games business. At 14.3 times trailing earnings, TOY stock strikes me as a bargain right here. The stock tanked nearly 4% on Tuesday alongside the broader markets. I'd argue that TOY is a great gift, even if the holidays are a long way off.

As a $4.3 billion mid-cap firm with a dirt-cheap multiple and many catalysts in the second half of 2022, I view Spin as an intriguing way to dodge and weave through this brutal tech-focused selloff.

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