Rate-Hike Recession Fears? 1 Top Stock for Your TFSA Retirement Fund

Description

Your TFSA (Tax-Free Savings Account) is meant to hold some of your best long-term investment ideas. Even if you've avoided chasing high-multiple momentum stocks and the "growth-at-any-price" trade, your TFSA is probably feeling a bit down these days. The broader markets have been absolutely vicious to everybody, including those who diversified properly. Though it may take a bit of time for your TFSA to recover after a terrible first half of 2022, I think that beginners should treat the recent turbulence as nothing more than an opportunity to top up their portfolio.

Warren Buffett was busy buying up stocks in the first quarter of 2022. The man is likely relishing the opportunity to pick up even more shares of his favourite businesses at even better prices. Undoubtedly, Buffett was more than ready for a bear market moment, with so much cash on hand and a list of businesses at prices he'd be willing to buy.

Top up your TFSA with stocks you know to be cheap

As markets fall further into correction (or bear market) territory, investors should do the same. They should have a shopping list and be ready to buy once their desired price target is reached. Indeed, many market darlings have come a long way since peaking out in the back half of 2021. Though it's hard to tell when the growth trade will heat up again (it's unlikely until rates and inflation show signs of peaking), I think many dividend stocks have been babies thrown out with the bathwater.

Instead of catching a falling knife, hoping for a sharp bounce, you should look at what you know to be cheap. That means insisting on real fundamentals, cash flows, and resilient growth profiles.

Alimentation Couche-Tard (TSX:ATD) is one of the few Canadian stocks that fit the bill as being cheap in the face of a broader market selloff.

Alimentation Couche-Tard

Couche-Tard is the Quebec-based convenience store giant that we all know and love. The firm, which is behind banners such as Circle K, has found success growing via M&A in the past. Over the past few years, acquisitions and dispositions have slowed.

However, management has been busy driving same-store sales growth (SSSG) via the inclusion of fresh food and private-label merchandise, among other efforts to drive per-store sales and earnings higher. Organically, Couche-Tard has done incredibly well. The firm has found the sweet spot with fresh food and margin-driving private-label goods.

The firm seems more than willing to double down on fresh food and other grocery items, as demonstrated by the acquisition attempt of French grocery company Carrefour. The deal was shot down quickly, but Couche-Tard’s interest was clear.

With a strong cash position, Couche can go about M&A at different angles. Global convenience store chains or a grocer could be in the cards at some point over the next five years. In any case, don’t count on Couche-Tard to rush. Its managers are disciplined enough to walk away if it can’t find the right deal at the right price.

With Petro-Canada locations up for grabs, look for Couche-Tard to make a potential offer that could be rich with synergies. Indeed, cash is king as rates rise. As valuations sink, look for Couche to take advantage of opportunities across the board.

The bottom line for TFSA investors

As a recession-resilient consumer staple with a very modest 16.7 times earnings multiple, it’s not a mystery why shares have been left standing amid the recent bumps experienced by broader markets.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/07/22
Date Created
2022/05/29
Author
joefrenette