TFSA Investors: 1 Market Bargain to Scoop Up Before it Vanishes

Description

TFSA investors are likely a tad on edge over the thought of putting their 2022 contribution of $6,000 to work. Undoubtedly, prices are far better than they were at the start of the year, but with all the negative momentum and the big bear market bounce we witnessed a few months ago, it's really hard to be a buyer of stocks these days.

The volatility is off the charts, and macro conditions only seem to be getting worse. Between the conflict between Russia and Ukraine, the ongoing pandemic, worries of an imminent recession, and central banks' bid to curb inflation, it's easy to take a raincheck on your favourite stocks that have recently fallen into value territory.

TFSA Investors: Why buy as recession looms?

I won't fault you for lowering the bar here, but it's vital to remain patient, as the TSX Index looks to follow in the footsteps of the S&P 500 into bear market territory. For many beginner investors, this recent volatility storm could be the start of a very slow and steady move lower. Bear markets can drag their feet for well over a year. And for those who've gotten used to the V-shaped recoveries like the one experienced in early 2020 or the back half of 2018, one can exhaust their liquidity by being too bullish with stocks on the dip.

That's why it makes sense to be a gradual buyer over time. Even amid high inflation, it's a good idea to have cash on the sidelines. Just in case bigger bargains are in store next week or next month.

Undoubtedly, it's wise to be a buyer of stocks you deem as undervalued according to your models. However, a cheap stock can always get cheaper, especially as broader market fear turns to panic and there's a rush for cash. At the same time, investors must acknowledge that they won't get the best price from a selloff. It's hard to catch the bottom of a market. And the stakes are slightly higher if you put all your cash into a dip that's not the bottom.

On the flip side, the value plays that exist today aren't guaranteed to be cheap in a month from now. That's why it's a good idea to buy now, with the intention of buying even more at lower prices should they arrive. In a bear market or dragged-out correction, doing so can be a win-win for TFSA investors.

These days, it makes sense to use a dollar-cost averaging (DCA) approach. Every month, you can allocate a certain amount of your TFSA funds to purchase certain undervalued securities. Consider **Bank of Montreal** (TSX:BMO)(NYSE:BMO) as a bargain play to watch or buy.

That's cheap: Bank of Montreal stock crushes earnings

Bank of Montreal could be one of the best banks for your buck going into June 2022. Fresh off a magnificent second quarter that saw a handsome dividend boost, BMO now finds itself trading at a ridiculously low 7.5 times trailing earnings multiple. Down around 11% from its all-time high, BMO seems poised to surge back to new highs, as investors look to rotate back to value.

The 4.1% dividend yield is bountiful and could be a major draw to the value-conscious, passive-income seekers. Further, it's BMO's oil and gas exposure that could help the bank recover faster than its peers, as central banks pull the brakes on the economy.

Finally, don't discount the value to be unlocked by BMO's Bank of the West acquisition. It could be a big deal, especially once the economic tides are ready to turn around again. With such a rock-bottom multiple, BMO may very well be the cheapest bank in North America from a price-to-earnings perspective.

Sure, there are headwinds ahead that could weigh on earnings. A recession isn't good for anyone. However, given the odds of a soft landing, I'd say the risk/reward is too good to pass up for TFSA investors with a keen eye for value.

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Date
2025/08/25
Date Created
2022/05/30
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