2 Friendly Stocks for Beginner TFSA Investors

Description

It's anything but a friendly environment for beginner TFSA investors these days, with the S&P 500 crashing into bear market territory (20% decline from peak to trough) just a few weeks ago before bouncing back modestly. Indeed, the recent relief rally may prove to be just another bear market bounce. In any case, volatility should not be viewed as risk.

For long-term investors, market volatility ought to be seen as a good thing! Why? Better prices are a friend of younger investors looking to stay invested for the next 10 or even 20 years. For beginners who've just gotten started, a market dip is a great chance to purchase shares of your favourite companies at reasonable prices.

In this piece, we'll have a look at two friendly stocks that beginner investors may wish to stash at the core of their TFSA portfolios. Let's look at easy-to-understand companies with predictable operating cash flows and earnings growth trajectories that are unlikely to be derailed over the long haul. Though recessions can impact the trajectory on a quarter-to-quarter or year-to-year basis, such firms have moats wide enough to secure its slice of economic profits for many years, if not decades, at a time.

Consider shares of **CP Rail** (TSX:CP)(NYSE:CP) and **Bank of Montreal** (TSX:BMO)(NYSE:BMO), two TFSA core holding candidates to consider, as the broader stock markets continue fluctuating wildly.

CP Rail

CP Rail moves good from point A to point B in one of the most efficient ways possible. Undoubtedly, railways have been around for decades, rewarding patient investors with TSX-beating gains. Of late, CP and the broader basket have fallen into a slump. The rails are sensitive to the performance of the economy. With a recession looming, the weakness in shares of CP should come as no surprise. Still, the rails tend to be among the first to bounce back from recessions and other economic slumps. If anything, they're one of the major forces that can pull the Canadian economy out of the gutter.

It's an essential business that's unlikely to change drastically over the next decade. For that reason, investors can expect solid results over the long haul. With the recent acquisition of Kansas City

Southern, CP is a railway that will soon span Mexico. Once the economy heats up again, count on CP stock to be among the first in line to rally much higher. For now, integration costs and recessionary headwinds will weigh on shares. However, on the other side of the storm are brighter days.

The stock trades at 24.1 times trailing earnings. It's not cheap, even after falling into a correction. Still, given the potential growth provided by the firm's latest acquisition, I find the multiple to be a fair price to pay for a premium company.

Bank of Montreal

BMO is, once again, one of the best banks for your buck. Dismiss the 7.5 times trailing earnings multiple as a trap, if you will. But the bank has been buoyed by a great deal of oil and gas (O&G) loans. As the sector continues flying high, expect BMO's corporate loan book to look even more attractive.

Further, the bank is fresh off one of its own acquisitions, with California's Bank of the West. The deal expands BMO's western U.S. banking division and is sure to give a jolt to longer-term cash flows. For now, integration expenses and recessionary fears are keeping the stock down. In due time, however, such forces are likely to go away, leaving BMO a runway to surge much higher.

The valuation is getting too cheap such that anything less than a painful recession could be a huge needle mover for shares. BMO is valued like some sort of sub-par regional bank. In reality, it's one of the highest-quality banks on the continent. And I think it's misunderstood here.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CP (Canadian Pacific Railway)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CP (Canadian Pacific Railway)

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
2. Stocks for Beginners

Date
2025/08/22
Date Created
2022/06/11
Author
joefrenette