Recession? Top TSX Stocks to Protect Your TFSA and RRSP

Description

Your TFSA (Tax-Free Savings Account) and RRSP (Registered Retirement Savings Plan) are probably down by double digits for the year. It's not easy to stay the course with stock markets nosediving at this rate, with Friday and Monday acting as a one-two punch straight to the gut of one's retirement plans. **Morgan Stanley's** top boss is now thinking that it'll be a coin toss if we're to fall into a recession. Some pundits may think the odds are higher, as the Federal Reserve looks to hike by 75 bps as soon as this Friday.

Undoubtedly, investors are still in shock over the last round of hot CPI numbers. They were incredibly ugly and far worse than expected, given expectations that inflation would have cooled by now. While the Fed could (and probably should) raise rates by a full percentage point (100 bps) come its next rate-hike cycle, it seems as though markets are already pricing in the worst. Moving ahead, unemployment could tick up, as it did during the worst of 2020. However, TFSA and RRSP investors should not hit that panic button quite yet.

Indeed, for many, the first thing that comes to mind when we hear of the "r" word is a 50% decline from peak to trough. The 2008 stock market crash was one of the most vicious in history. Even if there's no "Fed put" this time around, I find it unlikely that we'll be in for stock prices to get cut in half once again. With rates on the 10-year note setting its sights on 3.5%, this is one of the worst years for the bond markets in a long time. As stock losses accelerate, RRSP and TFSA investors seem to be pressured for all ends.

RRSP and TFSA investors should stay cautiously optimistic

It's a scary time to pick away at stocks, especially high-growth ones that are starting to enter value territory. If there's no earnings and just sales growth to go by in the face of what could be substantial demand destruction, it's hard to know what's cheap and what's not.

That's why I think it's a good idea to stick with value stocks that are trading at the lower end of their five-year historical ranges. Sure, earnings could wane over the next year. However, long-term investors could have the most to gain once the recession (if it even happens) passes, paving the way for a new bull market. Here in Canada, I think the odds of a recession are incredibly low. I don't think we'll get a recession, even in the U.S. falls into one. Why? The commodity price windfall is just too powerful.

Value and momentum in the energy sector

Currently, I'm a huge fan of the energy sector after its latest pullback. Sure, it's mild relative to the gains posted over the past year, but for those who missed the boat, I think the latest slip is a marvelous entry point for long-term thinkers looking to improve the resilience of their RRSP or TFSA portfolios through this challenging macro world.

At writing, **Tourmaline Oil** (TSX:TOU) is a standout buy after slipping nearly 12% off its latest high. Indeed, oil cooled off, but with Russian sanctions building demand for domestic energy, I find it unlikely that oil will fall in such a way that a name like TOU stock will lose its edge.

Up nearly 70% year to date, Tourmaline is a high-momentum play in the oil patch. It's incredibly sensitive to oil versus its peers. However, in this environment, where oil could run to US$150, such sensitivity is a good thing, especially for RRSP and TFSA portfolios that are being negatively impacted by the higher price of energy. At 11.3 times trailing earnings, Tourmaline is cheap stock with strong momentum, making it one of few plays that can help calm your choppy retirement fund. The 1.28% yield is just the cherry on top.

CATEGORY

1. Investing

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