TFSA Top Pick Friday: 2 Stocks to Buy Today

Description

Now's as good a time as any to average down into some of your favourite Canadian stocks. The recent market correction could easily worsen over the coming weeks, as we inch closer to a recession that many pundits seem to think will strike in the early innings of 2023.

Even if we're bound to fall into a recession, investors shouldn't expect a 50% drop from peak to trough like the one endured during the Great Financial Crisis. Believe it or not, recessions happen every few years or so, and they're healthy for long-term investors, especially those inclined to add a bit more equity exposure to their TFSAs.

Of course, it's difficult to gauge how severe the coming recession will be or how many more layoffs will be in the cards. With that in mind, it's wise to keep an emergency fund handy, with any excess funds for doubling down on bargains that pass your radar.

In this piece, we'll have a closer look at two stocks that seem to be worth the risk, as we make a move into an economic slowdown or downturn.

Consider shares of companies with modest multiples and sustainable cash flow streams that can withstand the next recession. At this juncture, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) and **Canadian Western Bank** (TSX:CWB) seem like dirt-cheap dividend plays to scoop up this July.

Restaurant Brands International

Restaurant Brands International is the company behind Burger King, Popeyes Louisiana Kitchen, and Tim Hortons. Despite the power of the three brands, the stock has sagged relative to most other fast-food firms out there. The management team is not the best. They've struggled to bring out the best in Tim Hortons since it merged with Burger King many years back. Still, I think the power of the brands will shine through, and that management will eventually learn how to get things back on track.

Indeed, QSR's managers are all about driving margins and cutting costs. When the cost cuts run too deep, sales can suffer, as too can a firm's reputation. I think QSR has learned that it needs to invest for the long run, rather than looking to trim away at expenses. When you've got a hammer, everything looks like a nail. When it comes to QSR's managers, they need to put their cost trimmers away and focus on the long haul.

Since the pandemic struck, QSR has been investing in modernization efforts. Drive-thrus and mobile apps are key to success over the long haul. With menu innovations and other efforts that could help the firm drive sales in a recession, I'd argue that now is a great time to give the +4% yielder a second look.

Fast-food firms, especially those with solid value menus, are great buys for when consumers feel the pinch.

Canadian Western Bank

Canadian Western Bank is a regional bank that simply does not get respect. Its Albertan exposure weighed heavily on shares during the 2020 stock market implosion and oil plunge. Now that energy prices are hot, and Alberta is thriving, CWB stock is still in the gutter, down around 38% from its high.

Though shares could revisit 2020 lows, I'd argue that the valuation (6.8 times earnings) is already too depressed. My takeaway?

Take advantage of the 4.8% yield and buy a few shares today if you seek a banking bargain.

CATEGORY

1. Investing

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1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:CWB (Canadian Western Bank)
3. TSX:QSR (Restaurant Brands International Inc.)

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joefrenette