TFSA Investors: 1 Oversold Growth Stock Overdue for a Big Rally

Description

TFSA (Tax-Free Savings Account) investors shouldn't wait before putting their latest $6,000 contribution to work. Though the second half of 2022 is shaping up to be more of the same, I'd argue that long-term investors should not feel the need to postpone any buying activity. Inflation is still running hot, and it's a significant destroyer of wealth for those unwilling to embrace risky assets like equities or REITs.

Indeed, the negative momentum makes it tough to get behind stock markets. They've been in a downtrend for six-and-a-half months now. Indeed, the bear market in the S&P 500 and Nasdaq 100 has now been longer and more brutal than the Fed put of late 2018. Though the current pullback hasn't been as violent as the 2020 stock market crash, it's worth noting that the market had already recovered in under six months, making the current drawdown among the most painful for beginner investors who've dipped a toe into the equity waters for the first time in 2021.

The bear market of 2020 was one of the shortest on record. The current one may very well last longer than the average nine-month-long bear market. With various folks pointing to a recession in 2023, the current recession could exceed 18 months. Indeed, that would imply the bear market could last just shy of another year.

2022: A lost year for investors?

Though 2022 may very well end up being a lost year, long-term TFSA investors should think of it as a small step back in a journey than spans decades. If anything, the recent market correction is an opportunity to deploy capital you've been meaning to put to work last year. If you've got the dry powder, the current bear market is an opportunity to accelerate your TFSA's wealth-creation rate.

Indeed, many fortunes were made in bear markets. You've just got to find the right temperament and stop subscribing to the theses of doomsdayers that tend to come out in full force during times like this. At the same time, you mustn't be reckless by catching falling knives, especially if you're only looking to play a short-lived bounce. In this market, it's hard to be anything other than a long-term thinker.

In this piece, we'll have a closer look at one intriguing growth stock that I believe is severely undervalued, oversold, and overdue for a relief rally over the next 18 months. The next six to 12 months could be a slog, but over the long run, I think Mr. Market will come to his senses again by rewarding the name with some upside.

TFSA investors: Take it easy with goeasy stock

Consider shares of **goeasy** (TSX:GSY), which has slumped alongside the broader downturn in consumer loans and BNPL (Buy Now Pay Later). Though goeasy may be more like a financial firm, it's so much more. I'd argue that it's becoming like a fintech firm, with its intriguing digital push.

Last year, the firm bought point-of-care financing firm LendCare for $320 million. More recently, the firm dipped a toe into digital auto retailer Canada Drives in a deal worth $40 million. goeasy is taking advantage of the recent slump in the equity markets. In due time, I suspect such efforts will pay off.

For now, the stock is in no man's land among investors after shedding around 53% of its value. At 11.1 times trailing earnings, with a 3.5% yield, I view GSY stock as a bargain buy to play the next bull run. I think a recession is mostly baked in. And if one doesn't actually happen in 2023, GSY stock could surge back to the $150 range.

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joefrenette