New Investors: 1 Oversold Growth Stock for Your TFSA

Description

New investors shouldn't wait until the market bottoms out before putting some money to work, especially since inflation in Canada could rise to or even above the 8% mark. Though it's an uncomfortable time to be a buyer of any securities these days, with a potential recession or slowdown on the horizon, one thing is clear: the risk/reward is a heck of a lot better than it was seven months ago.

Instead of trying to time the market bottom, it may be better to reach for the names that are trading well below that of their historical valuation metrics. Sure, a consumer slowdown does not bode well for any firm's earnings. That said, we don't know if the coming economic pain will be a full-blown recession, a mild and short-lived recession, or a modest slowdown.

With some chance of a recession factored into market valuations today, there's a lot of upside to be had for investors who think opportunistically. At this juncture, a severe recession may or may not be baked in but what we do know from the history of financial markets is eventually the market will recover.

Recession or not, it's time to start thinking about buying for your TFSA

Given that most pundits expect a short-lived recession (unlike the one in 2008), it may be time to start buying stocks you deem too cheap. Lowering the bar or moving the goal posts (lowering one's limit order) seems tempting at a time like this. However, by doing so, one risks missing out on what could be a potentially sizeable relief rally en route to all-time highs.

With the S&P 500 down just shy of 20%, you should look to nibble away at resilient stocks, rather than looking to raise considerable sums of cash unless you're short on liquidity.

In this article, we'll check out a retail stock that would make a fine addition to any long-term TFSA (Tax-Free Savings Account) retirement fund.

Aritzia (TSX:ATZ) is just one Canadian stock that could quickly bounce back once the worst of the slowdown is baked in.

Aritzia

Aritzia is a women's clothing retailer that has perfected omnichannel retail. With strengthing brand power and one of the best management teams out there, this retailer is an underrated growth play that could storm out of the gate once recession fears peak and investors shift their focus to a rebound.

The stock has shed around 44% of its value from peak to trough. That's an excessive decline. Though a recession could knock the stock right back to its pre-pandemic highs of around $25 and change (shares are at $33 today), I'd argue that the real upside comes from a consumer that may not be nearly as fragile as many expect.

Sure, discretionary purchases are bound to slow in a recession. Aritzia's somewhat pricy upscale clothing items could take a sales hit come the next sustained downturn. However, with one of the best long-term growth stories, Aritzia seems like a name to keep buying on the way down. It's a powerful retailer, and the recent damage to the stock may be a tad overdone if we're in for anything less than a severe recession.

With a stock price trading at 2.3 times sales and 22.7 times earnings, Aritzia is an excellent TFSA pick that is still underestimated.

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