It’s Time for TFSA Investors to Get Greedy With These 2 Stocks

Description

TFSA (Tax-Free Savings Account) investors should feel greedy after the volatility storm in the first half that dragged the S&P 500 into a bear market (around 24% from peak to trough) and the TSX Index into a correction (17% fall from peak to trough). Indeed, acting as a contrarian in a bear market is not easy. It goes against human nature to hit that buy button when everybody else is hitting sell to save their TFSA retirement funds from getting hit by the seemingly endless negative momentum.

Every winning streak experienced by stock markets seems to be viewed as just another bear bounce. It’s frustrating to be an investor, with the market sell-off being dragged out over seven months or so. We all want a V-shaped bounce, but many of us have yet to come to terms with the type of dragged-out recovery that seems likeliest at this juncture.

In any case, TFSA investors shouldn’t worry about how much pain is in store for the second half of 2022, or the first half of 2023 (will it be a recession year?). Timing markets over the near term is a complete waste of time. Investors should instead focus on steadily buying their favourite stocks over time, whether or not they have any chance of steering clear of any further market-wide downside to come.

In this piece, we’ll look at two Canadian darlings that I view as worthy buys, even considering the economic slowdown. Without further ado, consider shares of **CAE** (TSX:CAE)(NYSE:CAE) and **Air Canada** (TSX:AC).

CAE

CAE is a Canadian flight simulator manufacturer that’s seen its civil aviation segment weighed down heavily by the coronavirus pandemic. Though the firm has a resilient defence business, CAE has been a mixed bag for investors while waiting for the air travel industry to post recovery towards pre-pandemic levels.

Recently, the company partnered up with Piper Aircraft to launch its electric aircraft modification program. CAE’s managers see the potential to convert around 66% of the existing Piper Archer training fleet. Indeed, the move is incredibly exciting and could be the start of many such partnerships as small planes look to develop electric variants.

Now, we’re far from having an electric jet boom. That said, shifting to electric requires simulator changes, which could mean solid business for CAE over the long haul.

At writing, shares of CAE trade at 3.1 times sales, 23.0 times cash flow, and 73.0 times trailing earnings. CAE isn’t exactly a cheap stock from an earnings perspective, but given its dominant position in its niche market, I’d not be afraid to step in and be a buyer here.

Air Canada

Speaking of the air travel recovery, Air Canada has been a tough name to own for investors. The stock is down around 66% from its all-time high and seems to be stuck in a rut at around $16-17 per share.

Amid recent flight reductions going into the summer travel reason, it’s been a rocky ride for Canada’s top airline. The reduced flight schedule has frustrated many flyers, but it aims to improve on-time performance. As air travel demand steadily improves in the back half of the year, I’d look for Air Canada to be in a better spot as it addresses operational challenges by making “meaningful reductions.”

At writing, AC stock is getting cheap at 0.8 times sales, making the name a compelling pick-up for TFSA investors bullish on the economy’s bounce-back potential.

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Date
2025/07/19
Date Created
2022/07/22
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