Market Pullback: A Slipped Stock to Stash in Your TFSA Right Now!

Description

After a grueling first seven months of the year, TFSA (Tax-Free Savings Account) investors have plenty of options. Indeed, we've seen quite a rally off those June lows. But with market momentum reversing, there is concern that this bounce back is just another trap for the bulls. The bears are back in control after the bulls took the driver's seat for many weeks now. Though the bull has been fierce, the bears could continue to add to the anxiety of new TFSA investors.

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Personally, I think TFSA investors should view the recent dip as a good thing and a chance to pick up stocks at slightly lower prices. The bull trend still seems intact. Every rally has its dips. And this battle between bulls and bears may be won by the bulls, especially if the Jackson Hole Economic Policy Symposium isn't as horrific as analysts currently believe.

Yes, rates need to get much higher from here to beat inflation. But I find it hard to believe that the Feds could be any more hawkish than they were at the last meeting. If anything, investors should cheer the Feds' relentless focus on crushing inflation, even with the economic challenges that introduces.

Don't expect the Feds to back down from inflation battle

At the end of the day, inflation is hard to crush with minimal effort. With the perfect combo of rate hikes and moves to curb energy prices, we'll eventually see inflationary headwinds dissipate. After that, rate cuts are entirely possible. However, I do think many investors got ahead of themselves over the past few weeks, as fear turned to euphoria again.

Market rallies tend to overshoot to the upside while pullbacks tend to overshoot to the downside. As the markets look to settle in a new range, I wouldn't hesitate to pick up the cheap stocks that fly within your strike zone.

Currently, **Leon's Furniture** (TSX:LNF) is a magnificent discretionary pick-up that could lead the market's next upward surge. If you're like me and believe recession fears are greatly overblown, it's the sellers of "nice-to-have" goods that may very well become "must haves" for your TFSA.

Leon’s

Leon’s is a well-run retailer that investors were too quick to bail on at the first signs of trouble. Sure, furniture retailers are absolutely toxic to buy ahead of a severe downturn. Losses can easily amplify the **TSX** Index. Still, I’d argue that the worst of the crash has already happened. LNF stock has already shed more than 40% of its value. That’s no correction; it’s a vicious plunge that calls for earnings to take a hit in 2023.

Sure, a recession could be on the horizon. But if it’s mild, could furniture sales continue to be relatively robust? Possibly. In any event, Leon’s is one of the stocks you’ll want to hold and wait for the next bull market to begin. While I don’t know when markets will come out the other side of a recession, I do think it’s wise to be a buyer of risk assets when everybody else is screaming the “r” word.

At 6.8 times trailing price-to-earnings (P/E), LNF stock is one of the cheapest dividend stocks in this market with a respectable 3.6% yield. The low P/E already factors in an earnings slump. With a low bar set for it by analysts, the real upside could lie in blowout numbers that few will see coming as the economy recovers.

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CATEGORY

1. Investing

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1. TSX:LNF (Leon's Furniture Limited)

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