Got $2,000? Here Are 2 Smart TSX Stocks to Buy Now

Description

If you've got an extra $2,000 you've been willing to invest but have put off doing so amid market volatility, you're not alone. It's a volatile world out there, and calmer waters seem unlikely with the Fed putting its foot on the rate-hike gas.

The upcoming Jackson Hole meeting seems scary, but it may not be as impactful as we expect. Rates are going up. They have to, or inflation could weigh heavy. As the Fed goes back on its transitory view, the economy could find itself swinging wildly in both directions. I think the recent volatility surge is nothing to worry about for long-term thinkers; in three or five years from now, nobody will care how quickly the Fed raised rates. What will matter is that the Fed took aggressive action to put that dreaded genie back in the bottle.

The longer the economy goes on with this level of inflation, the greater (and longer lasting) the pain of inflation will be. It's a swindler of many, as Warren Buffett recently put it.

Fortunately, the best tool for investors to combat recession is common stock. Indeed, they're more volatile. But for extra volatility, you may get a bit of extra dividend yield. For long-term thinkers, biting on more yield is always a good bet, especially if there's too much doom and gloom.

Right now, investors are fretting over a lack of dovish tilt. The Fed is raising, and it's not going to let the recent slip in stocks push it to change course. Inflation has gotten too ugly. And it needs to be dealt with sooner, not later.

In this piece, we'll check out two of my favourite dividend stocks that could prove smart bets for the long run.

Canadian Tire

Canadian Tire (TSX:CTC.A) is a retailer that's seen its stock be deflated of late, slowly descending into a bear market. Now down more than 20%, the retailer is a tough hold, as it runs into a Canadian recession. Now, despite the muted severity of the coming downfall, CTC.A stock trades as though it could hit a sales snag.

Whether or not it's warranted is a mystery, though. The stock trades at 9.4 times trailing price-to-earnings multiple, which is well below historical norms. With a nearly 4% dividend yield, the stock is actually appealing to a new class of investors: dividend hunters.

Canadian Tire's dividend payout is close to the highest it's been (apart from the depths of 2020). And it's well covered by cash flows. While consumer sentiment could weigh on sales, investments in loyalty, e-commerce, and the customer experience will help it rebound abruptly once we're done worrying about the Fed.

Loblaw

Loblaw (TSX:L) is an inflation-fighter that's absolutely blown away the numbers, leaving the TSX Index behind over the past year. Loblaw is a consumer staple that's less impacted by recessions. Further, its ability to weave through inflation has been remarkable. Consumers have few alternatives but to absorb added costs at the grocery store. They can opt for President's Choice or No Name brand to save money, but there's really no way around the cost hikes.

When consumers reach for President's Choice or No Name, they're giving Loblaw a nice margin jolt. With such a powerful private-label brand built through years of trust and recent marketing campaigns, it's hard not to head on over to the local Loblaw-owned Superstore for a taste of intriguing (and cheap) offerings in store.

Loblaw has thrived amid inflation. As inflation remains elevated longer, expect more outperformance from Loblaw stock. In prior pieces, I've brought up that Loblaw may be getting flack for not passing on more cost savings to consumers. Though the firm has likely put profits over customers, I think the 21 times price-to-earnings multiple is quite low, given the inflation resilience you'll get. The 1.3% yield isn't impressive. However, it's growthy. And that alone makes me a fan of the stock at these heights.

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Date
2025/08/26
Date Created
2022/08/28
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