2 Top September Stock Picks for Jittery TFSA Investors

Description

TFSA investors should stay the course this September, even as the bearish talking heads on television yell that things are going to get way worse. Indeed, such alarmist, bearish comments tend to garner a lot of attention, especially after an already sizeable downward move in markets. Such overly bearish commentary is seldom useful, as they're not so actionable when there's already 18% in damage in the rear-view mirror. I'd take such bearish commentary with fine grains of salt and focus on the road ahead, rather than the road behind us.

As you're probably aware in the world of investing, past results are no guarantee of future results. In a bear market, that's a good thing. The horrid down days will not last forever. Things can and probably will change when you least expect it. That's why investors should be cautious when contemplating selling and only do so if it impairs their long-term investment goals. Will this market selloff impact your 10- or 25-year plan? If so, make the appropriate adjustments. Otherwise, treat bearish commentary and all the sort as noise, because it's not so actionable for you and may be just a source of anxiety.

In this piece, we'll have a look at two top picks for the spooky September season to calm the nerves of new TFSA investors. No stock is immune from risk. However, the following two names, I believe, offer a great risk/reward scenario at today's prices.

TFSA top pick #1: Hydro One

Whenever the market has you down, **Hydro One** (TSX:H) is a great stock to top up on for a jolt of certainty and a lowly correlated return. Of late, rates on risk-free assets like GICs (Guaranteed Investment Certificates) have risen considerably, with 14-month non-cashable options now offering more than 4%. Those are some of the best rates in more than a decade. Still, with inflation at 7-8%, you're still losing purchasing power. The alternative is equities, which could grant you a negative return, thus extending your loss of purchasing power amid inflation.

Hydro One sports a 3.2% dividend yield. That's not great versus GICs or other risk-free assets. That said, the stock seems to be quite cheap at a 20.7 times trailing price-to-earnings (P/E) ratio, which is well below the nearly 30 times P/E of the utility industry average. Further, Hydro One has predictable dividend growth and source of capital gains over time, as it looks to grow its operating cash flow stream.

Hydro One is at new highs. But I'd argue it's likely to keep on moving higher, as investors flee risk for predictable earnings growth.

TFSA top pick #2: Onex

Onex (TSX:ONEX) may very well be one of the cheapest stocks on my radar these days. The diversified holding company owns plenty of intriguing businesses, including WestJet Airlines. Though the management team is more than capable of outpacing the TSX Index over time, the pandemic has had quite an effect on the firm. Indeed, acquiring WestJet before a pandemic just comes down to bad luck.

As things normalize, I think Onex's luck (and stock) could turn in a big way. The stock trades at 5.4 times trailing P/E and a massive 0.5 times price-to-book ratio. I find that kind of a discount to book to be absolutely ridiculous.

Onex is a deep-value stock. It's great for patient TFSA investors who are willing to grant the firm the time to sail through rough waters.

CATEGORY

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