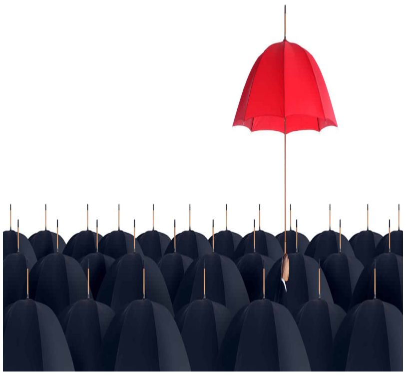

This TFSA Stock Could Be a Recession Safe Haven

Description

Canada's economy faces multiple threats. Inflation is already at historic highs, while economists expect a recession and a housing market crash. Unsurprisingly, this doom and gloom has spilled over into the stock market.

Fortunately, some stocks are holding up better than others and could serve as safe havens during this slump. Here is an excellent investment opportunity that could anchor your Tax-Free Savings Account (TFSA).

TFSA stock

Grocery giant **Metro** (TSX:MRU) is an ideal TFSA stock. This year, it has outperformed the broader market. Metro is up 4.5% year to date, while the TSX Index is down 8.9% over the same period.

The outperformance stems from the fact that consumers resort to cutting back on spending during recessions. However, spending on essential commodities such as food and drugs is resistant to economic headwinds. Put simply, Metro's sales could be sustained, despite inflation and recession.

Consumers trading down

Like other retailers, Metro has seen some of its wholesale costs rise in recent months. However, the company is shifting its merchandise mix to meet the needs of consumers who are also shifting demand. In a recent call with analysts, Metro's chief executive officer Eric La Flèche said consumers were "trading down" to meet their budget. That means more demand for store brand products under the *Selection* and *Irresistibles* brands.

This shift also means more foot traffic at Metro's budget FoodBasics outlets.

This strategic shift to meet consumer demand for lower prices has helped the company sustain sales growth. In the most recent quarter, the company posted a 2.5% year-over-year increase in sales to

$2.5 billion. Meanwhile, the stock has posted a compounded annual growth rate of 14% over the past five years.

Metro boasts of an impressive track record of paying dividends which have also consistently expanded. At the moment, its dividend yield is 1.51%. Given that the company is an essential business and can pass some rising costs to consumers it remains well positioned to continue generating free cash flow to grow its dividend yield.

Valuation

While the stock is up by about 5% year to date, it still has a lot of room for growth as the broader stock market shows signs of bottoming out. While it is trading with a price-to-earnings multiple of 17. That implies an earnings yield of 5.8% — much better than most blue-chip stocks.

This valuation seems justified for a TFSA stock that is resistant to inflationary pressures and could serve as a safe haven during a potential recession.

Bottom line

Inflation and a potential recession loom large over Canada's economy. Most stocks are down, but essential businesses like Metro have outperformed. The grocery store chain has managed to sustain sales growth by meeting consumers' shifting needs. That's what makes it an ideal TFSA stock for the second half of 2022.

Keep an eye on this opportunity.

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