1 Cheap TSX Stock to Get Your TFSA Through a Recession

Description

September has gotten off to a volatile start, with the post-Labour Day plunge coming right before a nice rally on the back of the Fed vice chair Lael Brainard's comments. Indeed, Brainard merely acknowledged that there is a risk of increasing interest rates by too much.

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Though Brainard and the rest of the Fed remain hawkish, it was comforting to hear that the Fed is also considering the side effects of interest rate increases. Indeed, rate hikes are like a medication to treat inflation, but one that can have harmful effects on the rest of the economy. As the Fed strives to get relief from inflation while minimizing the side effects, I think the broader stock markets can move on rather than fearing every word that comes out of the Fed's mouth.

At the end of the day, the Fed has the arduous task of crushing inflation without causing too much pain to employment and consumer spending. Though there have been quite a few layoffs (mostly in tech), rescinded job offers, and cost cuts, the same firms that have made such cuts have been focused on retention, raising wages for surviving employees, and focusing on driving efficiencies.

Don't fear a recession: Position your TFSA to navigate through one

Even if a recession proves unavoidable, recent comments from Fed member Lael Brainard, I believe, leaves the door open for potential accommodation in the future if needed after the tightening cycle concludes. Personally, I think the Fed is doing a great job of walking the tightrope and that it ultimately will be able to knock inflation down without sending us into too severe a recession.

In any case, things may not be as ugly (or hawkish) as they seem to be today. That's why I'd continue to leverage a dollar-cost averaging (DCA) approach with your TFSA (Tax-Free Savings Account). That way, you'll be ready to act, regardless of the direction of the market's next big move.

At this juncture, I think **Empire Company** (TSX:EMP.A) is an example of one great pick to improve your TFSA's shot at beating markets over the long haul.

Empire Company

Empire Company is a grocery giant behind such names as Safeway and Sobeys. The stock is up more than 93% over the past five years and has held its own relatively well this year; it's down just 3%, while the TSX Index crumbled into correction territory.

With inflation continuing to wreak havoc on consumers' wallets, Empire has done a great job of making the most of a rare and troublesome situation with its cheaper and margin-enhancing private label brands. As a part of the recent broader market selloff, EMP.A stock dipped more than 18%. I think the dip creates a great entry point for TFSA investors looking for a consumer staple to batten down the hatches ahead of what could be a tough few quarters for economic growth.

The stock trades at 13.3 times trailing price-to-earnings ratio, which is well below the grocery retail industry average of 17.4 times. There's also a juicy 1.8% dividend yield that could be subject to growth over the next few years.

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