This Little-Known TSX Stock Has Huge Potential

Description

Market volatility has continued to be off the charts going into the month of September. With an economic recession potentially closing in, it seems as though only the Federal Reserve's comments can allow the stock market to push higher. Lael Brainard of the Fed was hardly dovish when she stated that there's risk to raising rates by too much.

Undoubtedly, markets, which priced in huge rate hikes and nothing but hawkish talk, took such comments as incredibly soothing. Sure, Brainard didn't commit to anything. She merely acknowledged that there are two sides of the coin. If rates get higher than needed, the economy could suffer unnecessary damage. On the flip side, too few rate hikes could fail to put the inflation genie back in the bottle. Further, there's also a bit of worry that swift rate cuts that follow the tightening cycle could cause inflation to rear its ugly head again.

Indeed, it's a tough time to be a stock or bond investor, as rates continue to creep higher. Moving forward, new investors should expect Fed talk and inflation data to send markets surging or plunging.

Though it's uncomfortable to be at the mercy of exogenous events, I think that investors should be opportunistic and buy wonderful companies that can handle a rate-driven recession. Heck, some companies can actually outperform peers in the face of a macro downturn.

By insisting on operational resilience and sound balance sheets, there's no reason why investors can't make money as the recession comes rolling around. So, instead of hoping for a dovish pivot from the Fed or better-than-expected inflation numbers, focus on finding quality companies at reasonable prices.

Parkland Fuel: A dirt-cheap stock that may be worth averaging into right now

Right now, I view **Parkland Fuel** (TSX:PKI) as a recession-resilient firm that's starting to become absurdly cheap. The owner and operator of fuel stations have seen shares fall into a bear market (20% drop) off its 52-week highs. At writing, the fuel retailer is off more than 35% from its all-time highs not seen since before the pandemic.

Though gasoline demand is still a bit below pre-pandemic levels, Parkland has benefited from the ongoing recovery. The company's latest second quarter was quite muted, with $0.52 in EPS (earnings per share), which is well below the $0.99 consensus. Despite the earnings miss, revenue was much higher at $9.7 billion, up from $7.6 billion in the first quarter.

Indeed, there are operational challenges, but I'd look for management to get back on the right track going into year's end. At 18.7 times trailing price-to-earnings (P/E), Parkland Fuel is one of the cheaper ways to get a safe and sound 4.2% dividend yield.

Bottom line

Sure, convenience retail isn't the most exciting place to be in. But with a robust balance sheet and enough capacity to take advantage of opportunities within the gas station space, I view Parkland as an intriguing value in a rising-rate environment that emphasizes the importance of profits in the here and now.

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