1 Top TSX Stock (With a Dividend Yielding More Than 4%) to Buy Right Now for a TFSA

Description

It's a tough time to be a beginner investor, with all this volatility in anticipation of a Fed-induced economic recession. Undoubtedly, recessions are bad news for stock prices. With a recession just up ahead, many may be putting off their big buys until after the storm has worked its course of valuations across the board.

Indeed, it seems smart to wait for the recession to pass before getting bullish with your long-term-focused TFSA retirement fund. Still, many beginners may find themselves waiting too long and foregoing the quickest (and strongest) of gains, as the market turns a corner. Some of the biggest gains were made from the mid-to-late stages of recessions. Given it's hard to tell when a recession has begun until after the fact, it's really hard to time your entry at a market bottom.

New investors: Don't wait. Now's a great time to invest for the long run!

With expectations of a recession, it's arguable that most of the markdown has already happened. Indeed, a 24% plunge in the S&P 500 from peak to trough may be modest compared to the pain inflicted from prior recessions. However, it is worth noting that many pundits see the coming recession as milder in nature. Some folks, including those at **RBC** Capital, may see the recession as short-lived. I think they'll be proven right, given the Federal Reserve is on the right track. It wants to remove inflation and run the risk of economic pain. However, there will come a point where additional economic damage will not be worth the marginal relief from inflation.

In short, I believe the Fed is picking the lowest-hanging fruit to stomp out inflation. Central banks may be more comfortable with putting their foot on the brakes with rate hikes when we have 3% inflation, rather than the past 2% target. In such a scenario, investors can have the best of both worlds. Tame (albeit a tad higher than normal) inflation and a robust economy.

If we can avoid a recession, the recent bear market could prove unwarranted. And that's where investors stand to make a lot of money. Today, the banks look like terrific contrarian buys while they're down more than 20%. **TD Bank** (TSX:TD)(NYSE:TD) is one among my favourites in the space.

TD Bank: Being greedy while others are fearful

Despite clocking in some of the best results (for a bank) this earnings season, the stock remains in a bear market. Undoubtedly, investors have their fair share of concerns. The banks tend to rack up loan losses in economic downturns. One good quarter does not mean TD won't face increasing macro pressure on its loan book.

Despite the pressures, TD has been busy on the acquisition front. In prior pieces, I've praised TD for buying First Horizon and Cowen — two U.S. financials that came at a slight discount amid the market's recent tumble. Such deals will keep the bank busy, as it looks to add to its dominance.

At the end of the day, the big banks tend to come roaring back when recessions end and loan losses turn into big profits. Sure, TD and the broader pack will be a choppy ride over the next 18 months. However, with such strong managers, the 10.8 times trailing price-to-earnings multiple seems too low, even with a recession considered.

The 4.2% dividend yield is rich and will be subject to big hikes over the coming years. In prior pieces, I've noted that TD's magnitude of hikes could exceed that of its peers if its dynamic duo of acquisitions goes right from an integration standpoint.

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