Inflation-Fuelled Market Rout: Which TSX Stocks to Buy Right Now?

Description

Just when you thought the stock market was ready to reach new highs, a sub-par CPI report sent the tech-heavy **Nasdaq 100** nosediving more than 5.5% on the day. The **S&P 500** nosedived over 4.3%, while the **TSX** Index held its own relatively well, down just 1.7%. With the U.S. dollar strengthening again versus the loonie, the case for staying invested in Canadian value stocks has never been stronger.

Though the painful growth trade may take a tad longer to experience relief, I do think that new investors shouldn't feel discouraged over America's August inflation report. Sure, inflation remained hot, when some expected it to show more signs of rolling over. In any case, it's tough to gauge what inflation's next move will be, as central banks look to tighten their grip, with rates that could climb 4-5% over the coming months.

With the Fed committed to combating inflation with all the tools it can use (rate hikes and lots of 'em!), the major question mark is how severe the recession will be.

Will employment take a steep turn downwards alongside corporate earnings? Or can this market sustain enough rate hikes that inflation falls back to a range the Fed is more comfortable with? If rates move above 4%, the case for a soft landing for the economy seems less likely. In any case, investors should focus on getting ready to invest through a recession, rather than looking to get out.

I think more than half of the damage has already been done, with the S&P 500 nearing bear market territory once again. Tech stocks have collapsed, but until investors get some relief on the inflation front, it seems doubtful that speculative tech plays wich enrich investors as they did in the late-2020 rebound.

At this juncture, I'm still a fan of growth. As others sell, it may be wise to nibble on the way down. Now, the bottoming out process could take many more months. Regardless, Canadian investors should have enough firepower to keep on buying each leg lower. Without further ado, consider luxury parka maker **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS).

Canada Goose Holdings

Canada Goose stock is in a rut, down 63% from its 2021 high and 74% from its 2018 all-time high. The stock plunged 7% on Tuesday's inflation-fuelled market rout. The company is a Toronto-based apparel designer and retailer with a market cap that's just shy of $3 billion. Apart from its home market, Asia and the U.S. are among its three biggest markets.

Indeed, when recessions loom, there's not as much demand for luxury parkas. At these depths, shares trade at 2.4 times price-to-sales (P/S) and 30.0 times price-to-earnings (P/E). Given the demand destruction that could happen in a recession year, Canada Goose stock still seems a tad expensive. Though this is unlikely the bottom for the winterwear powerhouse, I think the next expansionary cycle will be kind to the firm with sizeable upward gains as sales come back online.

The company has demonstrated resiliency in the past. Despite challenges related to pandemic restrictions in the first two quarters of its fiscal year 2021, its annual revenue didn't drop significantly, thanks to its surging e-commerce sales. Between its fiscal year 2017 and 2021, the company's revenue and adjusted earnings increased by 124% and 79%, respectively.

For now, there's not much management can do. Guidance for fiscal 2023 was maintained with a cautious undertone. As the firm improves upon its direct-to-consumer expansion, I'd not underestimate the stock's ability to soar once again.

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