TFSA Investors: 1 Top Stock Pick to Buy for a Comeback

Description

TFSA investors and dip buyers have been punished for buying dips and chasing recoveries in this bear market. Undoubtedly, it's frustrating for many investors who were conditioned to expect swift rebounds. Though the bear market could drag on for the rest of the year, I'd argue that investors sitting on too much cash should look to put it to work. With rates on the rise, fixed-income debt securities are starting to look quite attractive.

Bond yields are slightly higher and certain 12-14 month GICs (Guaranteed Investment Certificates) now offer more than 4% interest. That's incredibly attractive if inflation has, in fact, peaked out. Still, with the August CPI number coming in a tad hot, such an interest rate still leaves investors down on a real-return basis.

If inflation is north of 7%, that 4% interest rate on a 12-year GIC suddenly doesn't seem so attractive anymore. Compared to the quick losses in stock markets, though, GICs and bonds seem like the best game in town. In any case, they're certainly more competitive with stocks these days, especially with a recession on the horizon.

If you can brave the market anxiety over central bank rate hikes and persistent inflation, you may just be able to do better than the 4% rates offered by GICs. Heck, you may even score a positive real return (a return above the rate of inflation) over the next 12 months.

Now, you don't need to chase battered tech stocks on the way down. As rates rise, so too will the pressure on share prices. Though growth and tech will recover again, I'd argue that it's far too difficult to make money on such plays. Instead, there's lower-hanging fruit out there that I'd reach for as a new TFSA investor.

Think profitable companies that have a track record of doing relatively well during times of recession. **Pet Valu Holdings** (TSX:PET) is just one high-quality play that can help you achieve a positive real return in a recession year.

Pet Valu

Pet Valu Holdings is a well-run pet-supply retailer that's been holding its own well versus up-and-coming digital disruptors. Undoubtedly, the Canadian brick-and-mortar retailer offers a wide range of services that its digital rivals can't replicate. Grooming services, pet adoption, and new-item discovery are just a few of the reasons the local Pet Valu is still garnering ample amounts of foot (and paw) traffic.

Looking ahead, a recession could weigh heavily on consumer balance sheets. That said, I view Pet Valu as a defensive stock that's less likely to be on the receiving end of budget cuts. Many pet owners will spend more time (and money) with pets as difficult times arrive. At the end of the day, Pet Valu is a defensive investment that many may be quick to pass up.

The "humanization of pets" trend is real, and it's unlikely to dissipate just because a recession hits. At a 24.5 times trailing price-to-earnings (P/E), Pet Valu is a premium stock with premium characteristics. As the firm continues to grow, I'd look for PET stock to crush the **TSX Index** next year.

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