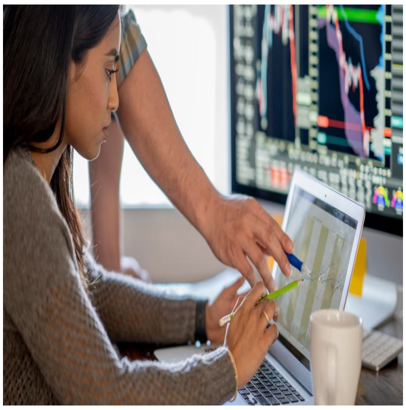

Beginner Investors: 1 Hard-Hit Stock With Too Much Recession Risk Baked In

Description

It's been a tough year for self-guided beginner investors, with the Federal Reserve poised to increase interest rates in a way to cool inflation and the economy. Undoubtedly, a 1970s-style of a recession may be up ahead. Though rate hikes are a top tool to combat stubbornly high inflation rates, they take quite a bit of time to kick in. Right now, commodity price moves suggest a steep dip in inflation is on the horizon. Undoubtedly, further rate hikes from here may not be necessary to drive inflation rates down. Regardless, investors are worried that the Fed could inflict more damage than is necessary.

default watermark

Arguably, central banks are doing what they should have done a year prior. As excessive rate hikes turn to cuts, I think markets may have the means to march higher again. Of course, all eyes will be on inflation and whether it can turn south without requiring 75-100-basis-point rate hikes going into early 2023.

Rate hiking our way into a recession?

While rate hikes are easily reversible, their effects on the economy are not. In any case, investors are in a tough spot, as inflation and the economy look to take a few steps backward. The recent **FedEx** downgrade caused a bit of a panic last Friday, and for good reason. The firm was upbeat just a quarter ago. Now, it sees a Fed-mandated recession that we may be entering.

It's hard to tell if FedEx is one of the "canaries in the coal mine." Regardless, the Fed may have the grounds to be a tad less hawkish, as it looks to balance employment with the ongoing fight with inflation. Though the August consumer price index (CPI) report was difficult, I don't think it should be viewed as a sign that the inflation battle has been lost.

Going into year's end, investors should stay the course and tune out the noise surrounding recent CPI reports and Fed comments. At the end of the day, investors should be prepared to deal with recessions as they come along. There will be many over the years. As such, investors should be ready to position their portfolios accordingly to limit downside and position themselves for the inevitable rebound that follows.

TFI: Trucking through tougher times

TFI International (TSX:TFII)(NYSE:TFII) shed nearly 5% of its value on Friday, as the transports fell in sympathy with FedEx. Though the $11.1 billion less-than-load (LTL) trucker could face a bit of sales pressure going into the coming recession, I'd argue TFI will be right back to leading the upward charge again once the next bull is born.

The stock trades at 0.9 times price to sales and 11.6 times trailing price to earnings. Such a depressed multiple suggests there's a lot of pain up ahead. If inflation rolls over by year's end, the odds of a severe recession will sink, and TFI stock is one of many economically sensitive plays that could rally on the back of multiple expansion.

Indeed, it's been all about inflation these days. In due time, inflation will back down, and many well-run businesses will move higher again. With an enviable 35.1% return on equity, TFI stands above the transportation industry average.

default watermark

Though there's likely more downside in the cards in the medium term, I think TFI stock will be among the fastest to rebound when the worst of the economic storm comes to pass.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TFII (TFI International)
2. TSX:TFII (TFI International)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/07/19
Date Created
2022/09/20
Author
joefrenette

default watermark

default watermark