Now's the Time to Load Up the TFSA With These 2 Bargains

Description

Your Tax-Free Savings Account (TFSA) is meant for building wealth throughout the duration of your investment career. So, don't feel the need to act hastily on any near-term overreaction in markets. The start of October has been quite impressive, but it's difficult to gauge when traders will have the green light to start flooding money back in. As a TFSA investor, you shouldn't care when the bottom is. It could be in or another 10-15% in downside could be on the horizon. If the latter situation unfolds, be ready to have dry powder to double down on the stocks you've been meaning to buy but never got around to hitting the buy button.

Eventually, the tides will turn, and it's the most jittery investor who will have to get back into markets at higher prices. Sure, it's comforting to get back in after the list of worries (Ukraine-Russia crisis and a hawkish Fed) is cut down. At the end of the day, though, it's times when markets are aware of the risks when the risk/reward scenario is better.

In this piece, we'll have a closer look at two intriguing TFSA-worthy value stocks that could provide the most upside in a cyclical turnaround. Consider shares of **NFI Group** (TSX:NFI) and **Sleep Country Canada Holdings** (TSX:ZZZ), two discretionary firms with shares that are freshly marked down.

NFI Group

NFI is a bus maker that could benefit from the electric vehicle boom over the next few years. The firm, which is pushing to electrify coach buses, has seen orders take a big hit in recent years. Falling orders and hefty debt have made the Winnipeg-based firm a tough buy on weakness. It's proven quite the value trap of late, falling endlessly into the abyss. At $13 per share, NFI finally looks ready to turn a corner. It took a more than 78% collapse in the share price, but I think the firm has a lot more to offer than meets the eye.

The stock trades at 0.4 times price to sales (P/S) and 0.9 times price to book. Indeed, it'd be nice tosee something go right for a change before jumping in. Regardless, I think order flow is en route torecover from here. Management thinks inflation has peaked, with plans to ramp-up toward pre-pandemic levels of production.

NFI faces an uphill battle, but if it can chip away at its debt while continuing to fulfill orders, I think there's plenty of upside to be had. In essence, I think NFI has hit rock bottom.

Sleep Country Canada

Sleep Country is a mattress retailer that's been sagging of late! The stock's down around 42% from its all-time high just north of $40 per share. With a 3.5% dividend yield and a mere 8.79 price-to-earnings multiple, though, I do view Sleep Country as a firm that's more than capable of waking up in a recession year.

The stock trades at 0.9 times P/S and is coming off four straight impressive quarterly earnings beats. Though a recession will drag on big-ticket discretionary goods demand, I think sleep product demand will inevitably rebound once the worst of the downturn is over with.

Sleep Country has hibernated for quite a while. And it may wake up, even before the recession becomes official.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:NFI (NFI Group)
2. TSX:ZZZ (Sleep Country Canada)

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