Keep Your TFSA Growing With These 2 Overlooked Stocks

Description

Your Tax-Free Savings Account (TFSA) retirement fund is probably feeling the weight of the market volatility. While there's no telling how bad a looming economic recession could get, it's still worth pursuing the market bargains as they exist today. Undoubtedly, stocks do not always go up as they did last year.

In this piece, we'll have a look at two mid-cap companies that Bay and Wall Street may have overlooked. As you may know, mid-cap stocks tend to garner less attention than their larger-cap counterparts.

With less attention comes a greater chance for the undervaluation of mid-cap plays to go unnoticed for extended durations. Indeed, the blue-chip stocks tend to be the most popular among newer investors. Still, for young investors seeking to gain an edge over markets, it's a good idea to consider mid-cap plays, especially if you want to drastically improve upon your TFSA portfolio's risk/reward scenario.

TFSA top pick #1: Cargojet

Cargojet (TSX:CJT) is a $2.34 billion company that's in a booming overnight shipping industry. While a recession is expected to curb demand for commerce, I still view Cargojet as one of the most promising long-term growth stories in the TSX. Undoubtedly, e-commerce is still a powerful secular growth trend. A recession in 2023 will act as a bit of a speed bump or pothole. Longer term, though, Cargojet and demand for quick shipments could continue to climb, as digital retailers look to promise faster shipments at lower prices.

At writing, CJT stock is down just shy of 45%. That's a huge plunge with recession fears written all over it! I think the damage is overdone. If the recession isn't as severe, the stock could have meaningful upside, perhaps toward the $200 level of resistance.

In any case, the stock looks dirt cheap at just 8.27 times trailing price to earnings (P/E). Obviously, earnings are projected to slip in the new year. But they may not slip as much as we expect, given the next recession is expected to be quite mild.

TFSA top pick #2: PetValu Holdings

PetValu Holdings (TSX:PET) is an underrated pet retailer that can really help TFSA investors navigate another round of rough waters. Pet supplies and services may be discretionary goods. As you may know, discretionaries don't tend to hold up as well as consumer staples during times of recession. Still, I believe PetValu is one of the most recession-resilient discretionary stocks out there.

Like Cargojet, PetValu has a powerful secular trend that could fuel many years of growth. The humanization-of-pets theme is alive and well. And I don't expect it'll slow down, as the economy sinks into a rut. Year to date, PET stock is up more than 15%. In 2023, I expect more earnings growth will act as support for its rally, even if the TSX tests new lows.

At 26.89 times trailing P/E, PET stock is quite rich, but it has a durable growth profile. The pet retail industry may be competitive, but PetValu's brilliant managers have created a brand that's among the strongest in the country.

CATEGORY

1. Investing

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2. TSX:PET (Pet Valu Holdings Ltd.)

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Date
2025/07/22
Date Created

2022/11/26
Author
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