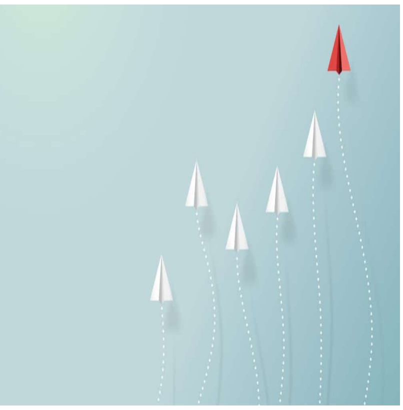

TFSA: Beat the Market in 2023 by Locking In Bargains Now

Description

Don't expect the market turbulence to stop as we enter a new year. I'm sure you've heard the numerous pundits who expect more volatility in the first quarter of 2023. In any case, investors should continue to stay the course and stay invested, while topping up on cheap holdings when possible. Though the new year and quarter may not bring the end of the bear market, TFSA (Tax-Free Savings Account) investors will get a chance to top-up, with $6,500 in funds that can be added once January hits.

The $6,500 TFSA contribution limit is up $500 from $6,000, thanks in part to inflation. It's a modest boost, but one that many Canadians won't be able to take advantage of, given rising debt levels and the continued pressure on savings accounts. For investors who can contribute the full amount, I think there are ample places to go bargain hunting, even if we are on the cusp of a recession.

Buying ahead of a recession seems reckless. However, it was arguably more reckless to be a net buyer of securities (stocks or bonds) just a year ago. Relatively speaking, the first quarter of 2023 could be a decent time to be a value investor.

Nobody knows how bad the recession will get in the new year. Many market strategists expect it will be a mild downturn, with a few that think a recession can be avoided, even with the pressure of recent rate hikes.

In this piece, we'll consider two intriguing Canadian stocks that could make for cheap additions to your TFSA. Consider pet-food retailer **PetValu Holdings** (TSX:PET) and Big Six Canadian bank **Bank of Montreal** (TSX:BMO).

PetValu Holdings

When it comes to your TFSA, don't look to time a market bottom or end of this bear market. Don't focus too much on the macro. Odds are, the macro data is already fully factored into markets. Instead of trying to time the Fed, inflation, or any other uncontrollable and unpredictable piece of data, stick with uncovering stocks that can ride out another year of choppy moves.

Outside of the red-hot energy plays, PetValu stock has been of the TSX Index's most impressive performers for the year. The stock is now up more than 20% year to date. And I don't think there are any reasons the consumer discretionary play will slow down.

As it turns out, pet supplies behave like more of a staple than a discretionary when market tides get a tad choppy. That's worked out well for PetValu and its inflation-hit pet owners. The nature of pet food and supplies has worked in PetValu's favour. Further, exceptional managers have helped make PetValu a domestic player with the ability to compete effectively.

In the digital age, PetValu's performance is admirable. With an expansion plan and a modest 3.1 times price to sales (P/S), I still view PetValu as a defensive growth stock deserving of a much richer multiple.

Bank of Montreal

Bank of Montreal stock is a Big Six banking underdog that recently slid 9% off its early December highs. Indeed, the winds of recession are getting colder. BMO stock found itself on the receiving end of an analyst downgrade, with **Bank of America** reducing the name to neutral from overweight.

Macro headwinds facing the banking industry were mostly to blame. While BMO isn't immune to such forces, I still think the calibre of management is being discounted.

After the latest slide, BMO stock trades at a 6.12 times trailing price-to-earnings multiple. That's quite absurd for one of the highest-quality banks in Canada. The 4.65% dividend yield is also ripe to pick for TFSA income investors.

CATEGORY

1. Investing

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