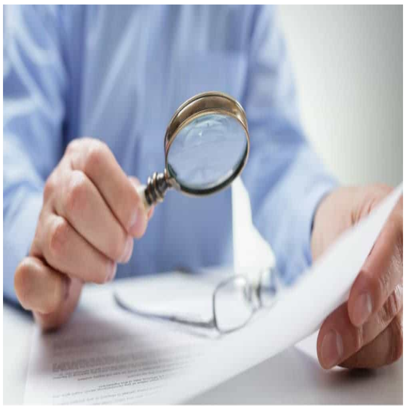

TFSA Investors: 1 Top Non-Bank Financial Stock That Looks Dirt Cheap

Description

TFSA (Tax-Free Savings Account) investors should consider the Canadian financial scene if they're looking for swollen dividend yields at historically cheap multiples. Indeed, the financials don't tend to fare well when the recession strikes.

That said, 2022 was a year that may have already priced in a 2023 economic recession. Indeed, we've heard pundits talking about a downturn for many quarters now. Nearly everybody is expecting an earnings drop in the new year. With analyst estimates freshly lowered, though, don't be so surprised if the stock market actually does decent this year, even if the economy takes a few more steps backward!

Remember, the stock market is not the economy. The market tends to be looking at where the economy may be headed next. Like Wayne Gretzky, the markets and its participants try to skate where they think the puck is headed next rather than to where the puck is headed at any given moment in time.

2023 could be a good year for battered non-bank financials

Over the past year, markets have been hurting over the pain to come. In 2023, we'll gain a glimpse of just how much of the fear was warranted. Maybe there was too much fear in 2022; maybe there wasn't enough. At this juncture, it seems like the mist of uncertainty is causing investors to sell first and ask questions later.

Indeed, it's an anxious time to be an investor, as we look to skate into some seemingly thin ice in the first quarter of 2023.

At this juncture, I think TFSA investors should play both sides of the coin. While there could easily be more downside ahead, it seems to be a tad "late in the game" to turn bearish. Indeed, going against conventional wisdom suggests investors start getting a bit bullish while others are dreading this year-long bear.

Though I'd not get too excited over a 2023 bounce-back, I view financials (beyond the banks) as intriguing value options. Though the banks are compelling, there may be deeper value to be had in the following financial stock:

goeasy: Take it easy with this battered dividend stock

goeasy (TSX:GSY) is an alternative lender that boomed in 2021, when the BNPL (buy now; pay later) trend was white hot. Year to date, shares are down 40%. And from its peak, the stock is off more than 50%. It's been a painful plunge for the consumer lender. As recession hits, consumer spending could hit a roadblock, as Canadians begin to chip away at the debts they raised in 2021.

Indeed, monetary policy has become anything but easy in 2022, with non-stop rate hikes that have pressured that consumer further. Fortunately, I think there's too much damage put in the name. The stock trades at 11.15 times trailing price to earnings. Further, a "mild" recession (as most expect it to be) could entail less earnings erosion for consumer-centric plays.

With a 3.4% dividend yield, goeasy is a risky but compelling play to play an economic recovery. Though, it may be too soon to play it with too large a position. As such, I'd buy incrementally on further weakness.

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