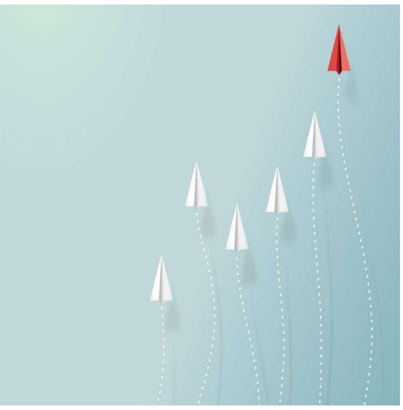

A High-Yielding Stock That Can Steer Clear of Market Drama

Description

Market volatility has returned to Bay and Wall Street after a nice rally to start the year. Undoubtedly, the recent inflation number came in hotter than expected. Just when market participants were ready to look for the Federal Reserve to ease with rate hikes (like the Bank of Canada), it seems like the rate headwinds of last year could continue to act as a drag. Regardless, investors should continue to stay the course, even with the return of broader market volatility.

Though the S&P 500 could continue to fluctuate wildly following the heated inflation number, I do think investors can find security with some of the lower beta names on the TSX Index. Indeed, the TSX Index looks richer in value names than the U.S. market indices.

For years, the TSX has been criticized for its lack of tech exposure and overweighting towards the financial and energy sectors. These days, overweighting to such “boring” corners of the markets is a plus. With a recession on the horizon, I’d argue that Canadian investors may have the incentive to stick with TSX stocks with their next big stock purchase.

Boring is better when a recession comes knocking!

When the market waters get rough, boring value stocks tend to be better places to hide out in. And in this piece, we’ll have a look at one incredibly boring stock within the consumer paper products space. Indeed, toilet paper and paper towels are a necessity that tends to experience steady demand through boom times and recession years.

Though such “boring” firms have had to deal with input cost fluctuations (pulp prices) and other inflationary challenges, I do think such firms are in a good spot to benefit from a normalization of conditions as commodity prices cool. Indeed, cost inflation is a heavy weight on the shoulders of many operations-heavy firms these days.

Still, higher rates will eventually (likely) bring forth normal levels of inflation again. And hard-hit paper plays like **Cascades** (TSX:CAS) may be able to pick up traction again.

For now, the stock has a very juicy dividend yield that I think makes it worthy of picking right now.

Cascades: A green play with a bountiful dividend and low beta

Cascades is a terrific low-cost dividend stock that few Canadians have on their radars. The paper products firm boasts a mere $989 million market cap after slipping more than 56% from its 2021 peak to its 2022 trough. In recent months, CAS stock has been heating up, with shares up just north of 26% from its December 2022 bottom.

The company's last (third) quarter was weighed down heavily by cost inflation. Though sales were up, net losses came in at around $2 million. In the week ahead, Cascades is slated to reveal its fourth-quarter numbers.

If Cascades can power past some pretty modest expectations, I expect the rally could continue into the summer. In any case, Cascades is a great value at 6.9 times trailing price-to-earnings, with its 4.9% dividend yield. Further, the company is a green-friendly play making good use of recycled fibres. Millennials and ESG investors can surely appreciate that this name tends to trade with less influence by the broader markets (a mere 0.18 beta, which implies much less volatility than the TSX).

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joefrenette