2 Fashionable Stocks Fit for a Young Investor’s TFSA

Description

Tax-Free Savings Account (TFSA) investors shouldn’t wait around for volatility to settle before putting their latest contribution to work. Undoubtedly, your TFSA is meant for building wealth over time. By waiting on the sidelines, investors could run the risk of missing out on the market’s next relief bounce.

In any case, there’s plenty of concern that the stock market’s hot start to the year won’t last. With recent inflation numbers causing sentiment to shift negative, rate-hike jitters are back. And it’s unclear when the Fed will announce that it’s done with the hikes.

In any case, investors should look to some of the more compelling names that have retreated of late. If we are in a new bull market (I think we are), the dips should be bought, rather than sold. Of course, temper your enthusiasm, because the Fed may not be done with its hawkish commentary just yet.

In this piece, we’ll look at three apparel stocks that look fashionable for the spring season of 2023. Consider **Aritzia** (TSX:ATZ) and **Canada Goose** (TSX:GOOS).

Aritzia

Aritzia is a women’s clothing company with a strong brand that seems to be getting stronger with time. As you may know, a stronger brand means better pricing power. With a mild recession potentially up ahead, Aritzia is a firm that will be weighed down, as consumers clamp down on spending.

Despite the impressive brand, Aritzia’s still very much a discretionary retailer that will feel the pressure of a downturn. Thus far, though, Aritzia doesn’t appear to be succumbing to the headwinds that have hit other discretionary firms hard. Could the Aritzia brand be even stronger than we thought? I think that could be the case. Aritzia seems to be in a spot to take share, even as macro headwinds move in.

Further, Aritzia’s upscale goods may mean that its more affluent consumers are more resilient in the face of a downturn. The luxury market has held steady thus far. And it’s not too far-fetched to think of Aritzia as a more affordable luxury.

In any case, I’m a raging bull over the company’s U.S. expansion plans. I think it’s a low-risk endeavour that will pay big dividends, as Aritzia looks to continue testing its brand strength south of the border.

At 26.9 times trailing price to earnings, I view ATZ stock as a pretty cheap growth option for young investors at around $45 per share. The stock is down nearly 25% from its all-time high.

Canada Goose

Canada Goose is a luxury parka maker that's not benefited from the positive trends propelling some of its high-end peers. Undoubtedly, you only need so many luxury parkas. As the weather warms up for spring and summer, Canada Goose seems like a rather untimely investment, even as the stock's relief rally falters.

Recently, Evercore downgraded Canada Goose to a "Hold," over long-term targets that may be a tad too aggressive. The firm desires to triple sales in just five years, as I noted in a prior piece praising the firm for its plan. That's ambitious — perhaps too ambitious. Sure, new markets and product offerings can help jolt sales growth. But it's unclear as to how much a coming recession could weigh on the bottom line over the year ahead.

At over 42 times trailing price to earnings, you're paying up for the outerwear firm. So, do be ready to average down should shares continue to sag on the back of its latest tough quarter. Like Aritzia, Canada Goose has a strong brand that can help it get through these difficult times.

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