Bond Yields Surge: 2 TSX Stocks to Hold Amid Inflation Fears

Description

The 10-year U.S. Treasury yield surged past the 1.5% mark this week, sparking renewed inflation fears in the hearts of investors.

With bond yields rising a staggering 0.5% in around two months, growth stocks look the least attractive as they have in quite a while. Some of the frothiest growth stocks with price-to-earnings (P/E) multiples at nosebleed-levels have started to fall back to earth. While there's no denying that P/E multiples, as a whole, were steep across the board, I still think they're warranted, given the real return is not yet positive.

Stocks still look like the only game in town. But as bond yields and inflation continue to rise and talks about rising interest rates start flowing in, it'd only be wise to consider some of the unloved value plays as they look to stage a comeback.

Value stocks could make a massive comeback!

The growth-to-value rotation turned into a vicious plunge on Thursday, dragging almost everything, including gold, lower. There were a few green arrows in the sea of red, including shares of **Fortis** (TSX:FTS)(NYSE:FTS). But there were also unfairly-battered names that I think could be due for an upside correction, as this growth-to-value rotation looks to calm down.

There's no telling where bond yields are headed next or how much growth stocks have to fall. The only thing you can do as an investor is be prepared for anything. If you were overweight tech stocks and this past week was a rude awakening for you, don't be afraid to take a little bit of profit off the top of your frothiest growth holdings. You can always buy back at better prices, which I think we could be in for over the coming weeks and months.

If you've got a growing cash problem, there are better places to park cash right now, including the bond proxies like Fortis and gold miners like **Barrick Gold** (TSX:ABX)(NYSE:GOLD).

Better than any bond

Fortis is a great bond proxy that really needs no introduction. The highly-regulated utility doesn't offer much in the way of surprises, making the stock a far better investment than any 1.6%-yielding bond that's only going to lose purchasing power over time.

With Fortis, you won't get market-crushing capital gains, but you will get a 4% dividend yield and a 4-5% annualized dividend growth rate. That blows bonds right out of the water, and with shares below the $50 mark, I think now is as a good a time as any to get into the name before value stocks outshine their growthier peers.

As this vicious tech correction continues, I'd look for FTS stock to move higher as growth investors ditch their "sexy" plays for defensive dividend stocks that reek of value.

Barrick Gold could shine again as bond yields surge

With bond yield jitters and worries of an unchecked uptick in the rate of inflation, you'd think that gold would be soaring. That was not the case, as both Barrick stock and gold prices tanked on Thursday. Maybe Bitcoin had something to do with gold's weakness? Regardless, I still view gold and Barrick Gold as among the best places to be in, with inflation looming. Heck, come Bitcoin's next crash, gold could get a big boost and Barrick Gold shares will likely be leading the way higher.

Today, Barrick stock is down a painful 40% from its September high. Warren Buffett is out of the stock, and gold prices could find themselves entering bear market territory sometime soon. I think the weakness is a buying opportunity and would look to gold to make a return to US$2,000 as soon as Mr. Market returns to his senses.

For now, there's a near-2% yield to collect from Barrick stock as you wait for gold prices to recover on the back of renewed inflation jitters.

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joefrenette