The 3 Best TSX Stocks to Buy as Inflation Rises

Description

Central banks in the developed world have pursued the most radical monetary policy in history since the 2007-2008 financial crisis. This period has seen historically low interest rates and multi-trillion-dollar asset-purchasing programs that were kicked into overdrive during the COVID-19 pandemic. This week, Federal Reserve chairman Jerome Powell said that Fed fund rates would remain at near-zero levels through to 2023. The Fed said that it sees inflation running to 2.4% this year, above its previous guidance of 1.8%. Inflation in Canada has also climbed in this environment. Today, I want to look at three TSX stocks that are worth snatching up in this climate.

Why gold TSX stocks look undervalued in this market

Historically, gold has often been used as a hedge against inflation. The supply of gold is relatively constant. Paper money loses value in a high inflation environment. **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) is one of the top TSX stocks I'd target as central banks prepare for rising inflation.

Two years ago, I'd suggested that investors should pile into gold stocks after the news of a yield curve inversion for the 10-year U.S. Treasury and 10-year Canadian bond. In 2020, the COVID-19 crisis vaulted the spot price of gold to record levels. Kirkland Lake is engaged in the acquisition, production, and operation of gold properties.

Shares of Kirkland Lake have dropped 22% in 2021 as of early afternoon trading on March 19. Gold prices have dipped in the face of U.S. stimulus, rising bond yields, and a flight to digital currencies. However, Kirkland Lake put together record results in Q4 2020 and for the full year. This TSX stock last had a favourable price-to-earnings (P/E) ratio of 12. I'm looking to gold after its recent dip as inflation rises.

Another precious metals equity to snag on the dip

Silver lagged in comparison to its bigger brother in 2020. It has the potential to thrive as inflation rises. **Silvercorp Metals** is one of the top silver producers on the TSX. Its shares have dropped 26% so far in 2021. However, this TSX stock is up 64% from the prior year. This may be an opportune time to pick up the top silver producer on the dip.

The company reported a solid jump in revenue and earnings in the third quarter of fiscal 2021. Income rose 33% year over year to US$8.4 million, or US$0.05 per share. Meanwhile, revenue climbed 20% to US$53.3 million. If silver prices finally pick up solid momentum, this company will be well positioned to benefit.

Shares of this TSX possess a P/E ratio of 22. This is better than the industry average at the time of this writing.

This TSX stock and its peers will benefit in an inflationary environment

Loblaw Companies (TSX:L) is the third TSX stock I'd snag as inflation picks up in Canada. Unfortunately for consumers, food prices have consistently outpaced CPI in recent years. Canada's Food Price Report forecast that food prices would rise 3-5% in 2021. Meat and vegetables were expected to see the biggest price increase between 4.5% to 6.5%. Loblaw is the largest grocery retailer in Canada.

Grocery retailers proved very reliable when the pandemic first rattled markets. Shares of Loblaw have climbed 4.9% in 2021 so far. This TSX stock last had a P/E ratio of 21, hovering just under the industry average. Loblaws also offers a quarterly dividend of $0.335 per share, which represents a 2% yield.

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