



Inflation Is Surging: Protect Yourself

Description

Canadians are getting concerned about inflation. Food prices, fuel charges, and housing costs are all expected to be much higher by the end of 2021. This is because of the economic reopening and pent-up demand for all goods.

The inflation rate was [1.1% in February](#) and is likely to rise much higher in the months ahead. Economists are warning that rising inflation could crash the stock market. In other words, higher inflation could reduce your wealth. Here are some ways you can protect yourself.

Defensive stock

A defensive stock is usually a boring but essential company that is insulated from inflation. Such companies can raise their prices to match inflation so that the net effect is nullified. The best example is **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)). The stock has been rising over the past few months, even as inflation expectations surged.

Canadian Pacific ships grains, raw materials, and bulk goods across North America. As inflation rises, the value of these commodities rises too. That means inflation actually benefits Canadian Pacific, as higher volumes lead to higher charges.

This defensive stock trades at 26.6 times earnings per share and could offer substantial dividend growth in the months ahead.

Gold

Gold, of course, is still considered the ultimate price spike hedge. The value of this shiny yellow metal went through the roof in the 1970s, when prices were rising faster. It's likely to do so again this time.

Fortunately, one of the world's best gold miners is listed in Canada. **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) stock has been steadily rising since the crisis erupted last year. At one point, it was even part of Warren Buffett's portfolio. Buffett may have ditched the stock, but that doesn't mean it won't live up to its reputation as a solid hedge against reflation.

Bitcoin

A somewhat controversial idea has emerged during this inflation cycle. Some experts claim that Bitcoin is detached from the rest of the economy, which could make it an ideal inflation hedge.

It's too early to say if this is true. Bitcoin, after all, has only been around 12 years. However, the price of each unit has been rising since the start of 2021. That's despite rising inflation concerns and a falling tech market. In short, Bitcoin could prove itself as an inflation hedge in this cycle. Take a closer look at the **Purpose Bitcoin ETF**.

Bottom line

Investors across the world are concerned about rising prices. As the economy reopens and governments flood the market with stimulus, the price of goods could skyrocket. Higher inflation is usually bad for the stock market.

If you share this concern, consider taking a closer look at hedges or ways to protect your assets. Assets that rise alongside inflation. Canadian Pacific Railway, gold mining stocks, and Bitcoin could be worth a closer look.

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Date

2025/08/23

Date Created

2021/03/20

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