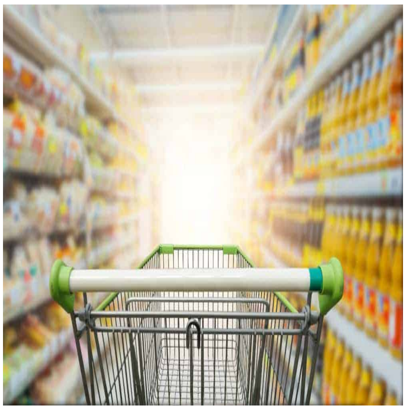

3 TSX Stocks That Could Soar With Rising Inflation

Description

Canada's inflation rate ticked up in February 2021 on the back of higher gas prices. The Bank of Canada recently commented on what to expect on this front in the months ahead. The central bank's inflation target sits in the 1-3% range. In March, the BoC said that it expected inflation to hit the higher end of this target. The BoC conducted a survey to gauge public support in its monetary framework. It found that many Canadians felt the 2% inflation target does not accurately represent inflation due to consistently rising prices of numerous goods and services. Today, I want to look at three TSX stocks that are poised to gain momentum on the back of price inflation.

The Canada Food Price Report forecasted a 3-5% increase in 2021. It predicted that the largest increase would be in meat and vegetables, rising 4.5% to 6.5% from the prior year. This will put a bigger squeeze on a consumer base that is already exhausted after a year of pandemic restrictions and continued lockdowns.

This TSX stock has started strong in 2021

Metro (TSX:MRU) is a Montreal-based grocery and pharmaceutical retailer. Its shares have increased 2% in 2021 as of late-morning trading on April 7. However, the TSX stock is still down 2.6% in the year-over-year period.

The company released its first-quarter fiscal 2021 results on January 26. Food same-store sales were up 10% from the prior year. Adjusted net earnings grew 9.3% from Q1 FY2020 to $197 million. Meanwhile, adjusted diluted net earnings per share jumped 11% to $0.79. Metro hiked its quarterly dividend by 11% from the previous year to $0.25 per share. That represents a modest 1.7% yield.

Shares of Metro last had a favourable price-to-earnings (P/E) ratio of 18. The sharp rise in food prices may give this TSX stock a boost in the quarters to come.

Why this top grocery retailer is worth picking up as inflation rises

Loblaws (TSX:L) is the largest grocery retailer in Canada. Earlier this year, I'd discussed why grocery retailers were also worth relying on in a market pullback. Loblaws and its peers have kept their doors open, as essential services during the devastating COVID-19 pandemic. This is another grocery retailer worth owning as inflation jumps. This TSX stock has jumped 11% in 2021 so far.

In Q4 2020, the company saw revenue rise 7.1% from the previous year to $12.4 billion. Food Retail same-store sales growth hit 8.6% with its market division delivering strong growth of 10%. Adjusted EBITDA climbed 5.0% to $1.26 billion. Meanwhile, adjusted net earnings increased 3.8% to $410 million.

Loblaws stock has a P/E ratio of 23, slightly above the industry average. It offers a quarterly dividend of $0.335 per share, representing a 1.8% yield.

One more TSX stock to buy in an inflationary climate

Empire Company (TSX:EMP.A) has put together an impressive stretch of earnings over the past year. This grocery retailer owns and operates brands like Farm Boy, Sobeys, and IGA. Shares of this TSX stock have increased 13% in 2021. Empire is up 38% year over year.

Same store sales excluding fuel jumped 10% year over year in the third quarter of fiscal 2021. This came with huge e-commerce sales growth of 315%. Gross profit climbed nearly $590 million from the prior year in the year-to-date period, hitting $5.40 billion. Sales have jumped $1.77 billion to $21.3 billion. Strong performance and rising food inflation have bolstered Empire as it has undertaken its growth initiative.

The TSX stock has an attractive P/E ratio of 15. Empire boasts a quarterly dividend of $0.13 per share. That represents a 1.2% yield.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)

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