



## Inflation Scare: 1 Top Canadian Stock I'd Buy on Sale

### Description

Recently released inflation data [spooked](#) investors as the Consumer Price Index (CPI), a gauge on the price of a basket of goods in addition to energy and housing prices, surged over 4%, sparking a vicious sell-off across the board [led lower](#) by growth stocks. The **NASDAQ 100** is now down just shy of 8% and is at risk of entering into correction territory for the second time in 2021.

### Inflation volatility: Don't panic!

In prior pieces, I warned investors that higher rates on the U.S. 10-year Treasury note were more than likely to come back to haunt high-growth stocks. With rates spiking eight basis points (bps) to 1.7% on Wednesday, stock and bond investors are rushing for the exits. With gold pulling back on the day, there are few alternative places to hide from the inevitable inflation to come of all the stimulus pumped into the economy.

Cash isn't a great place to be if you think we're in for an unchecked rise in the rate of inflation, unless you think the Feds are about to hike rates to combat what could be an inflation overshoot. There's no question that inflation at 4.2% drastically increases the odds of quicker-than-anticipated rate hikes. But if inflation is transitory and the Feds hold off on rate hikes, cash could stand to be a huge loser versus stocks and commodities.

### Investors don't trust the Feds

Despite the Feds' extreme dovish stance and its reaffirmation that they wish to see employment heal before they tackle any inflation, it appears that investors believe that Fed Chairman Jay Powell is either bluffing or will be completely wrong with his inflation expectations.

Investors view inflation as a scary beast, and the fresh CPI data just confirms what investors fear most these days. But what if Chairman Powell is right and is true to his word? He is the man that rolled up his sleeves to lift the stock market from the coronavirus crash, after all. Things would have probably been far worse right now if he hadn't acted as quickly and confidently as he did.

I think investors ought to give Powell the benefit of the doubt. I think he's right and would trust him over the herd right now, even though the CPI numbers are on the high end. This spike in inflation could very well be a blip in response to a mix of supply chain issues and unmet pent-up demand caused by the coronavirus pandemic. Naturally, greater demand and constrained supply will lead to higher prices. As such, I don't think now is the time to be throwing in the towel, even in your hot tech stocks, which will stand to be most impacted by higher rates.

## Shopify stock looks to be on sale following the inflation-induced market pullback

With the NASDAQ 100 flirting with another correction, there's more money to be made as a contrarian with names like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), which shed another 2% in Wednesday's brutal trading session.

The e-commerce company recently came off an incredible round of earnings which inspired a very short-lived rally. The post-earnings gains have been surrendered and then some, with Shopify stock now trading at its support level just under the \$1,300 mark. With concerns growing about Shopify hitting peak growth in the first quarter, many are wrongfully shrugging off the company's terrific beat.

Yes, pandemic tailwinds are fading for e-commerce darlings like Shopify. And yes, higher rates are bad news for high-growth firms. But with SHOP stock now down 30% from its high, there's little to be gained by worrying about what others have already been worried about for months.

## Foolish bottom line

Shopify is a great company, and if you're willing to hang on for the long haul, the dip in Shopify stock, I believe, is nothing short of a buying opportunity. Brace yourself for volatility, be ready to average down and I believe you'll make the most of this inflation-induced market pullback.

### CATEGORY

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