2 Boring Canadian Dividend Stocks to Buy for a High Inflation World

Description

Investors are pretty worried about inflation these days, even though the U.S. Fed has made it clear that any such inflation spikes will be transitory. Regardless, the 4.2% increase in consumer prices has many ditching higher-growth stocks with the intention of asking questions later. Whether such an overreaction proves to create a buying opportunity remains to be seen. In any case, rates could continue trending higher, applying even more pressure to the growth stocks well into year's end until the Fed has a chance to be proven right or wrong.

Will inflation derail the stock market's epic rally? Or is there nothing to fear but fear itself?

Nobody knows for sure. While there's still a chance that hotter inflation could cool off, investors must also be wary of the potential for transitory inflation to evolve into longer-lasting problematic inflation. You see, inflation can be a self-fulfilling prophecy. If corporations sense inflation, they'll raise prices ahead of time and there will be upward pressure will be on wages.

Just how *much* of a price hike remains to be seen. Regardless, investors would be wise to be prepared for an inflationary environment and ensuing surprise rate hikes.

Far too many beginners are overweight growth and tech, and they could be in a spot to feel even more pain as we head into the second half of 2021. So, without further ado, let's have a look at two boring (but beautiful) dividend stocks I'd look to buy on inflation jitters. Their hefty payouts, dividend growth policies, and considerable pricing power will help investors better combat any inflation that may be sticking around for far longer than the believers in the Fed may think.

Top dividend stock #1: CN Rail

CN Rail (TSX:CNR)(NYSE:CNI) is an incredible value, with shares fresh off a brutal 14% decline. With the ongoing bidding war with its rail rival CP Rail in the background, I'd look to swoop in and pick up shares before either CN Rail has a chance to pull its bid, U.S. regulators block the deal, or **CP Rail** ups its bid and walks away with its prize in **Kansas City Southern** railway.

CN's offer, worth US$33 billion, is sweet. But it'll have to put in more paperwork and deal with more regulatory scrutiny, which may not be worth the effort. Investors hate bidding wars, and CN Rail is at risk of losing it. If CN loses the bidding war, though, its investors will win in a big way, as shares look to recover the 14% lost in recent weeks.

With a juicy, growing 2% dividend yield, investors have to be a buyer here with inflation looming. Moreover, with its wide network, CN Rail calls the shots and can easily increase prices should inflation remain above the 2% mark.

Top dividend stock #2: Telus

Telus (TSX:T)(NYSE:TU) is a Canadian telecom behemoth that's outperformed its peers amid the pandemic. Heading out of the crisis, Telus will be able to capitalize on the 5G boom as consumers loosen up their purse strings to buy 5G-enabled devices on Telus's industry-leading network. With the recent consolidation of competition in the telecom scene, Canada's Big Three trio-poly days are returning, it's bad news for consumers but great for the shareholders.

With such a favourable positioning in an oligopolistic market, Telus will be able to easily raise prices in response to inflation. Canadians really don't have much of a choice these days. It's either pay the Big Three or settle with inferior mobile service.

Telus boasts a 4.8% yield, which will grow quickly as competitive pricing pressures settle down in Canada, once again.

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