Inflation or Not, This 1 Canadian Dividend Stock Is My Top Pick for June 2021

Description

Inflation has been pressuring growth stocks to return a considerable amount of gains that were enjoyed last year. As the Bank of Canada (BoC) looks to act before the U.S. Federal Reserve, we could be in for faster and more furious interest rate hikes on this side of the border.

Like it or not, growth could continue to remain under considerable pressure. While I am enticed by the 30-40% declines in some of the growthiest tech stocks out there, one must not buy such dips if the rest of their portfolio isn't sufficiently diversified. There's really no telling when the sell-off in speculative growers will end. The real question that Canadians should be asking themselves is whether or not they're prepared for even more pain if negative surprises are in store in the latter part of 2021.

If you're well diversified with the perfect blend of value, growth, and speculative growth, then you probably do not need to fear. If, however, you're not prepared for inflation scares and a central bank could fan the white-hot economy with rate hikes, it may be worthwhile to buy some top dividend stocks that will be less influenced by negative scares moving forward.

Inflation is coming: Are you ready?

Things are getting more expensive on both sides of the border. Canada's annual inflation crept to 3.4%, the highest it's been in almost 10 years. In the U.S., things appear even hotter, with consumer prices soaring to 4.2%, well above expectations. Climbing inflation will be a problem for those who refuse to diversify their portfolios beyond expensive growth stocks. But for those who didn't neglect value last year, there may be nothing to fear with inflation — of course, other than the inflation fear itself.

In any case, the higher-than-expected U.S. CPI (Consumer Price Index) is only serving to compound inflation worries. I suspect such jitters will remain until the Fed is proven right with its transitory stance. And if it's proven wrong, rate hikes could be in store far sooner than most analysts think. And that could bring forth an even more vicious sell-off led by tech and growth stocks.

Protect your TFSA wealth

If you're looking for names to protect your TFSA wealth from the insidious effects of inflation, look no further than high-yielding play that have promising reopening prospects, as they're most likely to outperform over the next 18 months. They're far better than cash, short-duration bonds, or those GICs that now boast absolutely abysmal sub-1% rates, both of which will stand to lose purchasing power at an above-average rate, depending on how high inflation goes and how long it'll stick around. On the flip side, such names will also hold their own if rate hikes induce a stock market sell-off that will continue to hit growth a heck of a lot harder than value.

Think of shopping centre property plays like **SmartCentres REIT** (TSX:SRU.UN), which still commands a juicy 6.4% yield, despite rallying a good amount off its 2020 lows. The mall is behind popular strip malls located across Canada. SmartCentres, which houses numerous essential retailers, most notably retail kingpin **Walmart**, did far better than most bears thought amid lockdown.

Despite a demonstrated resilience and cash flows that are bound to normalize on the other side of this pandemic, I find it absolutely ridiculous that shares of SmartCentres are still down from their pre-pandemic levels. The distribution, which remains slightly swollen, is still well above normalized levels and should be bought by those who don't want to see their wealth eroded by inflation.

Foolish bottom line

If rate hikes are on the table, SmartCentres may be put in a tight spot. Regardless, the end of this pandemic will likely bring forth a wave of consumers, as rent-collection rates normalize. I applaud Smart for its resilience and its long-term residential growth prospects, and you should, too! And the well-covered distribution is a great incentive to hold through the years.

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