



Fear Inflation and Volatility? Lap Up These 3 Canadian Stocks Now

Description

As the fear of inflation and heightened volatility grips the stock market, I suggest that investors concentrate on companies that consistently generate stable revenues and cash flows and possess the ability to escalate prices or pass on the increased costs to consumers. While commodity stocks like **Suncor Energy** and **Kinross Gold** could be a top bet to hedge against inflation, I have shortlisted three all-weather Canadian companies that should also be on your radar.

Pure-play renewable energy company

Brookfield Renewable Partners LP ([TSX:BEP.UN](#))([NYSE:BEP](#)) could be an [attractive investment option](#) amid rising inflation and volatility. Notably, this renewable energy giant realizes higher prices amid inflation escalation, which drives its funds from operations, and in turn, its stock.

Notably, the company has consistently delivered strong shareholders' returns on the back of its growing assets base and resilient cash flows. Its stock has appreciated by more than 213% in five years, while it increased by over 160% in three years. I expect the uptrend in its stock to continue, thanks to its strong development pipeline, long-term contracts, and growing scale.

Its diversified assets are backed by long-term contracts that help the company to deliver predictable cash flows. Importantly, these contracts are inflation-indexed, which eliminates price risk. Thanks to its high-quality earnings and cash flows, Brookfield has consistently rewarded its shareholders with higher dividends. Its dividends grew at a compound annual growth rate (CAGR) of 6% in the last 21 years, while it offers a healthy yield of 3.1%. Looking ahead, it projects 5-9% growth in its annual dividends. Further, its stock has corrected by over 11% in three months, presenting a solid buying opportunity.

A top retailer

Food and pharmacy leader **Loblaw** ([TSX:L](#)) has a resilient business model that remains primarily unaffected by rising inflation and economic cycles. Notably, Loblaw's value offerings position it well to drive traffic even amid rising inflation. Further, its thriving e-commerce business is likely to accelerate its growth and support the uptrend in its stock.

Canadian investors can rely on this food giant to ride out inflation-related fears as the demand for its offerings is likely to remain stable. Further, Loblaw's traffic and revenues could continue to grow at a decent pace thanks to its growing digital capabilities and initiatives to drive traffic and ticket size.

Loblaw stock is gaining momentum and is up by about 21% in three months. However, Loblaw is still trading well below its peers. Its price-to-earnings (P/E) ratio of 14.2 compares favourably to **Metro** and **Alimentation Couche-Tard**'s forward P/E multiple of 16 and 18.6, making it an attractive investment at the current price levels.

A stable utility company

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is a [reliable bet](#) amid all economic conditions. The power producer has delivered exceptional returns in the past and has consistently increased its shareholders' value through higher dividends.

Algonquin's growing rate base and long-term contracts have helped the company to increase its dividends at a CAGR of 10% in the past 11 years. Looking ahead, investors could expect its dividends to rise at a similar pace, reflecting solid double-digit growth in its rate base and high-quality earnings.

I believe Algonquin Power & Utilities's long-term contractual arrangements, expansion of renewable power business, strategic acquisitions, and solid balance sheet position it well to deliver stellar returns. The utility giant currently offers a reliable dividend yield of 4.5%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:L (Loblaw Companies Limited)

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