



3 Top Canadian Stocks to Buy Amid Rising Inflation

Description

Amid the concerns over rising inflation, the Canadian equity markets have been volatile recently. Last week, Statistic Canada announced that the consumer price index (CPI) rose to a 10-year high of 3.4% in April. Inflation will increase input cost and the cost of borrowing, thus weighing heavily on growth stocks. So, value stocks tend to outperform growth stocks during an inflationary environment. Meanwhile, here are three Canadian stocks that offer higher return prospects in this environment.

Kinross Gold

During inflation, the value of the currency goes down. So, investors tend to buy gold to hedge against inflation, driving gold prices higher. During this quarter, gold prices have already increased by over 12% so far. Rising gold prices could be beneficial to gold mining companies. So, I have picked **Kinross Gold** ([TSX:K](#))([NYSE:KGC](#)) as my first pick.

The company had [reported an impressive first-quarter performance](#) earlier this month, with its revenue and adjusted EPS increasing by 12% and 50%, respectively. Higher average realized gold price more than offset a decline in production to drive the company's financials. Meanwhile, the company's management expects its production to improve in the coming quarters amid rising production from its Paracatu and Tasiast mines. With gold prices expected to remain elevated, the production growth could boost Kinross Gold's financials and stock price.

Meanwhile, analysts also look bullish on the stock, with 15 of the 19 covering the stock have issued a "buy" rating. The remaining four analysts have given a "hold" rating. The consensus price target stands at \$13.53, representing a return potential of over 39%. Besides, Kinross Gold trades at an attractive forward price-to-earnings multiple of 10.5.

Suncor Energy

Energy prices are key components of the CPI. Rising oil prices could increase the revenue of oil-producing companies. So, I have picked **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) as my second pick.

Amid the recovery in oil prices, the company's stock price has increased by over 30% this year. However, it still trades at a significant discount from its January 2020 levels, providing an excellent buying opportunity.

Amid the widespread vaccination, governments worldwide could gradually lift restrictions, improving economic activities and, in turn, driving the demand for oil and refined products. Suncor Energy, with its highly integrated business model, is well equipped to benefit from rising oil prices. The increased production and cost-cutting initiatives could also boost its financials in the coming quarters. So, [I am bullish on Suncor Energy](#).

Analysts are also bullish on Suncor Energy, with 15 of the 21 analysts covering the company have issued a "buy" rating. Further, the consensus price target stands at \$34, representing an upside potential of 21.9%.

Alimentation Couche-Tard

My final pick would be **Alimentation Couche-Tard** (TSX:ATD.A)(TSX:ATD.B), which operates over 14,000 stores, including international licensed stores. Given its recession-proof business models, the company remains immune to rising inflation and economic cycles.

Over the last 10 years, the company has delivered impressive returns of over 890% at a CAGR of 25.8%. Supported by its strategic acquisitions, the company continues to post strong fundamentals, with its EBITDA growing at a CAGR of 22% since 2011. Meanwhile, I expect the uptrend in the company's stock price to continue, given its strong balance sheet and an appetite for acquisition.

The company pays quarterly dividends of \$0.0875 per share, representing a forward dividend yield of 0.8%, which is on the lower side. However, the company has been raising its dividends at a CAGR of 27% since 2011. So, I expect the company's yield to improve in the coming years. Further, the company's valuation also looks attractive, with its forward price-to-earnings standing at 17.8.

CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ATD (Alimentation Couche-Tard Inc.)
4. TSX:K (Kinross Gold Corporation)
5. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

Date

2025/09/07

Date Created

2021/05/26

Author

manjapla

default watermark

default watermark