



Inflation Rising in Canada: Here Are 3 Stocks to Buy

Description

Inflation in North America has picked up significantly in the first months of 2021. The Consumer Price Index (CPI) was up 3.4% from the prior year in April. This represented the fastest year-over-year inflation rate since May 2011. Earlier in April, I'd [warned investors](#) of this possibility. Today, I want to look at three stocks to target, as the Bank of Canada sets its sights on this development. Let's jump in.

How rising inflation is having a huge impact on food prices

Loblaw ([TSX:L](#)) is the largest grocery retail company in Canada. Its shares have climbed 16% in 2021 as of early afternoon trading on May 28. The stock is up 9.1% from the prior year.

Canadians have been [wrestling](#) with food price inflation for years. In December, the annual Canada Food Price Report for 2021 projected that annual food expenditure go could up by as much as \$695 over 2020. The report predicted that the highest price increase would be seen in meat and vegetables, which are set to experience price increases between 4.5% and 6.5%.

Investors should stay focused on grocery retail stocks. In Q1 2021, Loblaw reported revenue growth of 0.6% to \$11.8 billion. The COVID-19 pandemic has had a major impact on online shopping trends. Loblaw saw e-commerce sales rise 133% from the prior year. Adjusted EBITDA increased 4.5% to \$1.21 billion.

Lumber prices have erupted in recent months

Commodities have also experienced a massive uptick in prices in recent months. Lumber prices have posted a stunning 275% increase from the prior year in April. On May 21, the United States Commerce Department moved to increase preliminary tariffs on softwood lumber imports from Canada. This is expected to raise producer and consumer costs even more. Price inflation in this space has benefited some top Canadian companies.

West Fraser Timber (TSX:WFT) is a Vancouver-based forestry company. Shares of West Fraser have

climbed 16% in 2021. The stock has soared 138% from the prior year.

In Q1 2021, the company reported sales growth of 81% year over year. Meanwhile, earnings rose to \$665 million compared to \$282 million in Q1 2020. Sales also nearly doubled from the fourth quarter of the previous year. Better yet, West Fraser stock still possesses a very favourable price-to-earnings (P/E) ratio of 4.9.

Don't sleep on gold in this inflationary environment

Gold has proven to be a strong hedge against inflation in the past. Cryptocurrencies slipped into a bear market in the second half of May. Meanwhile, the yellow metal has gained new favour as a store of value. Rising inflation should spur investors to take another look at gold and gold-focused equities.

Kinross ([TSX:K](#))([NYSE:KGC](#)) is a top Toronto-based gold producer. The stock has dropped 4.9% so far this year. However, its shares are up 7.1% from the prior year. The spot price of gold rose above the US\$1,900 mark at the time of this writing. Gold hit an all-time high above US\$2,000/ounce in the middle of 2020. The fall of crypto could reinvigorate this space again.

Shares of Kinross last had a favourable P/E ratio of 7.4. It offers a modest quarterly dividend of \$0.03 per share.

CATEGORY

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1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:K (Kinross Gold Corporation)
3. TSX:L (Loblaw Companies Limited)
4. TSX:WFG (West Fraser Timber Co. Ltd.)

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Date

2025/06/30

Date Created

2021/05/29

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