



Rising Inflation: 2 Stocks That Are Immune

Description

After months of trepidation, inflation is finally here. Canada's official inflation rate spiked up to 3.4% last month, the highest rate in over a decade. Prices for consumer staples such as food, energy, housing and fuel are all rising simultaneously. This sudden inflationary spike could impact the stock market and real estate prices.

Investors need to consider the impact and longevity of these inflationary pressures. Here's a closer look.

How long will inflation last?

Economists and investors all agree that inflation is significantly higher in 2021 than previous years. However, the debate now focuses on whether [this inflation](#) is here to stay or transitory.

Some economists believe the inflation is a rebound from last year, when demand was suddenly pushed lower by the pandemic and the world had excess supply. After all, the price of crude oil *plunged below \$0 temporarily* last year when people stopped travelling. They believe inflation might linger until next year, but will subside soon after.

However, some investors believe inflation is likely to last much longer and cause much more havoc. They blame historic levels of government stimulus for creating an imbalance in supply and demand. Canada, for instance, faces a federal deficit of \$381 billion after all the stimulus measures from last year.

In either case, investors need to face higher inflation for the foreseeable future. This could also push the Bank of Canada to raise interest rates, which has a negative impact on growth stocks. To protect your portfolio, you may need to consider undervalued stocks that will resist inflation.

stocks that are immune

Essential businesses with pricing power can simply pass the higher costs onto consumers. This means companies in healthcare or utilities could be the best safety nets during inflationary cycles.

Utility giant **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a top pick. The company is one of the largest electricity producers in North America. Utilities are protected from economic cycles. Households don't stop paying their electric bills when the economy dips. And utilities can simply raise their prices when inflation spikes. In other words, Fortis is insulated from the economy.

Investors anxious about inflation can add Fortis to their portfolio and safely rely on its 3.7% dividend yield. Fortis has plenty of visibility in terms of future cash flows. In fact, the management team has already promised dividend hikes for the years ahead. The team has managed to boost the dividend every year for the past 46 years.

NorthWest Health REIT ([TSX:NWH.UN](#)) is another example of an inflation-proof dividend stock. This real estate investment trust manages medical facilities such as hospitals and clinics across the country. Medical properties are disconnected from the economy and tend to have multi-year leases which cements future cash flows.

NorthWest's leases have an average lifespan of 14 years and the stock offers a lucrative 6.2% dividend yield.

Bottom line

These robust, inflation-proof Dividend Aristocrats deserve a spot on your long-term portfolio, even if you're not concerned about inflation.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date

2025/07/22

Date Created

2021/05/30

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