Worried About Rising Inflation? This Top TSX Stock Wins in This Environment

Description

Inflation is skyrocketing these days. Indeed, investors are concerned about capital preservation now more than ever.

Accordingly, there's increasing interest in stocks that benefit from such an environment. I've touched on why companies like **Manulife** (TSX:MFC)(NYSE:MFC) seem to thrive in this environment. However, I think it's worth pointing out why this is the case again for investors interested in playing interest rate-sensitive stocks right now.

Let's dive into why Manulife could be one of the best performers on the TSX this year.

Multiple factors driving bullish expectations for Manulife

As a large multi-national insurer, Manulife's revenue and income happen to be heavily tied to the interest rate environment. Higher interest rates and a steeper yield curve are inherently bullish for such plays. Accordingly, those concerned about inflation driving interest rates higher may want to consider this company.

Indeed, there's reason to be concerned about interest rates rising. We've seen these expectations baked into growth stocks in recent months. And it appears inflationary concerns aren't abating, yet.

Inflation numbers have continued to surge, particularly in the United States. Indeed, central bank stimulus has worked. Consumers are now spending, banks are lending, and everything's working as it's supposed to. However, one unintended side effect of these moves to protect against a recession may be the cause of one down the road.

Investors seem worried that structural inflation could be taking hold. Accordingly, bonds are selling off and yields are rising. While longer-term bond yields have stabilized of late, they did hit year highs not too long ago. Additionally, any small catalyst appears ready to provide fuel for these inflationary pressures to materialize into higher yields today.

As the economy continues to recover from the pandemic, investors will need to keep a close eye on how inflation numbers will affect their portfolio. Right now, diversifying one's holdings with some stocks that benefit from such an environment seems to be a good idea.

Manulife's robust business model makes it a buy, regardless of inflation

Investors need to remember that Manulife's overall business model, while sensitive to interest rates, still makes it a buy. Yes, this company will do well in a higher-rate environment. However, the company has managed to perform quite well regardless of the economic turmoil of late.

How has Manulife done this?

Well, for starters, Manulife is heavily exposed to growth markets, particularly in Asia. Asian interest rates have been much more stable (and higher) than North American rates for some time. Accordingly, I think the recent dip in Manulife stock was largely unwarranted.

Manulife currently operates in more than 20 countries across the world. The company's laser focus on growth markets in Asia and globally makes this stock a well-insulated pick. Those seeking financials exposure can't really go wrong with this name.

Besides its global footprint, this company has an incredibly diversified portfolio spread across multiple sectors. For example, Manulife is involved in businesses extending from private banking and wealth management to securities business.

Judging by this company's balance sheet, the company continues to enjoy steady cash flow growth and has strong long-term growth prospects courtesy of its business model.

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