



4 Value Stocks to Buy Amid Rising Inflation

Description

Amid rising oil prices, Canada's consumer price index (CPI) in April rose to 3.4%, which was the fastest rise in over a decade. Given the commitment by Biden's administration towards higher fiscal expenditure and the federal bank's expansionary monetary policy, I don't expect inflation to cool down soon. In an inflationary environment, value stocks tend to outperform growth stocks. For growth stocks, much of their earnings expectations are in the future. Rising inflation will hurt these expectations. So, here are four Canadian value stocks that can outperform this year.

Suncor Energy

As energy prices constitute a significant component in the CPI, oil-producing companies could benefit from rising inflation. So, I have picked **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) as my first pick. The gradual reopening of economies has increased oil demand, driving its prices higher. Meanwhile, industry experts expect oil prices to remain at elevated levels for the rest of this year.

Suncor Energy is well equipped to benefit from higher oil prices, given its highly integrated business model and long-life, low-decline asset base. Higher production and increased refinery utilization rate could boost the company's financials. The company has taken several initiatives to bring its expenses down, which could improve its margin in the coming quarters. Further, the company trades at an attractive forward price-to-sales multiple of 1.4.

Enbridge

Despite rising over 15% this year, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is trading close to 9% lower from its January 2020 levels. Its valuation also looks attractive, with its forward price-to-earnings and forward price-to-sales multiples standing at 17.4 and 2.3, respectively. Meanwhile, the widespread vaccination and gradual reopening of the economy could increase oil demand, driving the throughput of its liquid pipeline segment.

Further, Enbridge's management has [planned](#) to put \$17 billion worth of secured growth projects into

service over the next two years. Along with these investments, the improvement in its asset utilization rate could drive its financials in the coming years. The company also rewards its shareholders with quarterly dividends. Currently, the company's forward dividend yield stands at 7.1%. Given its attractive valuation, high growth prospects, and healthy dividend yield, I believe [Enbridge would be an excellent buy right now](#).

Waste Connections

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) collects and disposes of non-hazardous waste. It is also involved in resource recovery through recycling and renewable fuel generation. The company's agreement allows it to pass the increase in expenses due to inflation to its customers, thus shielding its earnings from inflation. The essential nature of its business makes the company an excellent buy in this volatile environment.

Further, the company usually operates in secondary or exclusive markets, allowing it to maintain its margins. The company will have its disposable sites within the markets it operates, thus lowering transportation expenses. Meanwhile, the company also focuses on acquisitions to boost its financials. Over the last two years, the company has closed 21 acquisitions. With liquidity of \$743 million as of March 31, Waste Connections is well equipped to make future acquisitions.

B2Gold

Inflation lowers the value of money. So, investors seek refuge in gold during high inflation, thus pushing gold prices higher, benefiting gold-mining companies, such as **B2Gold** ([TSX:BTO](#))([NYSE:BTG](#)). Since the beginning of this second quarter, gold prices have appreciated over 12%. Meanwhile, industry experts are bullish on gold, with few expecting it to retest \$2,000/ounce levels by the end of this year.

Higher gold prices and solid first-quarter performance have increased B2Gold prices by 12% during the quarter. With its gold mines expected to reach higher-grade zones in the second half of this year, its management expects its product to rise significantly. So, increased production and higher realization price could boost the company's financials in the coming years. The company's valuation looks attractive, with its forward price-to-sales standing at 10.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:WCN (Waste Connections)
4. TSX:BTO (B2Gold Corp.)
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7. TSX:WCN (Waste Connections)

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