



## 3 Inflation-Proof Stocks for June 2021

### Description

Inflation is beginning to heat up in a big way. According to *StatCan*, inflation ticked up to 3.4% in April, up from 2.2% in March. That wasn't as bad as the U.S.'s most recent inflation number — 5% — but it's still pretty high. If every product you bought went up 3.4% in price every year, and your income didn't rise, you'd be a lot poorer in a few years.

Inflation also has implications for your investments. When inflation goes up, central banks try to fight it by raising interest rates, and that hurts businesses — like the ones your stock portfolio is built on. In light of this, many investors are wary of inflation. Nevertheless, there are some stocks that benefit from inflation rather than being hurt by it. In this article, I'll explore three Canadian stocks that are firmly in that camp.

### Suncor Energy

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is a [Canadian dividend stock](#) that got absolutely rolled in 2020. It lost several billion dollars that year, including a \$3.5 billion loss in the first quarter. It was a brutal time for the company, and disinflation was a big part of it. As COVID ravaged Canada, inflation went below 1%. Among the biggest drivers of that was a decline in oil and gas prices. Gasoline went to multi-year lows, and crude oil futures at one point went negative. It was a scary time for energy companies. But now, oil prices are surging, with WTI crude currently at \$71. If oil prices go to \$100, Suncor is going to produce an overflowing river of profits. It's definitely a stock worth owning in a scenario of rapid inflation.

### TD Bank

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is a bank stock that, like Suncor, got hit hard in 2020. In the second quarter, its [earnings declined 52%](#), which was not as bad as many bank stocks in the same period but still pretty bad. The culprit was the COVID-19 pandemic. When banks' loans get riskier, they have to raise their provisions for credit losses (PCLs), which causes earnings to decline. In 2020, TD took a big hit from higher PCLs. Later, though, it was able to lower its PCLs, which increased

its earnings.

What does inflation have to do with this? Recall what I said about how central banks respond to inflation. If inflation is seen as getting out of control, then central banks will raise rates to slow it down. If that happens then banks like TD will borrow at higher rates and also lend at higher rates, which could lead to higher profit margins on loans.

## Kirkland Lake Gold

**Kirkland Lake Gold** (TSX:KL)(NYSE:KL) is a Canadian gold mining stock that has been rising dramatically in recent years. Up 571%, it has solidly outperformed the TSX. The thesis for buying Kirkland Lake gold is similar to that for buying Suncor. When inflation increases, many investors respond by buying gold as a “safe haven.” That means that Kirkland Lake can then sell its gold for higher prices and earn more profits. The inflation-hedging effect of gold can be overstated, and it doesn’t always work out. But gold stocks are at least one possible asset to consider for times of high inflation.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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