



Got \$1,000? The 3 Best Inflation Stocks to Buy Right Now

Description

Everyone is awed with the faster-than-expected economic recovery amid the pandemic. And although economic expansion is a good thing, it has brought an additional hitch: inflation. As inflation continues to increase, the central banks may have to intrude and raise rates ultimately. Higher inflation not only affects the purchasing power but also increases the cost of capital. Here are three top inflation stocks to buy for the long term.

B2Gold

Gold is a classic defensive against inflation. Its value generally increases, as the purchasing power of the dollar diminishes. One of the top Canadian gold miners, **B2Gold** ([TSX:BTO](#))([NYSE:BTG](#)) could be an attractive bet in this inflationary environment. The miner exhibited handsome earnings growth last year amid higher gold prices. This could continue this year, as the yellow metal price looks poised to grow going forward.

Almost all gold miners witnessed stellar earnings growth last year. However, very few of them are currently trading at an attractive valuation. BTO is one of them, trading nine times its forward earnings. If the yellow metal continues to trade higher, BTO stock has a large runway for growth in 2021 and beyond.

Algonquin Power & Utilities

As interest rates go up, the rate of discounting future cash flows goes up, which eventually brings down equity valuations. That's why investors move over undervalued assets in inflationary periods.

Consider Canada's one of the biggest utility stocks **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). It earns a significant portion from regulated operations, which provide earnings stability and visibility. That's why it pays reliable dividends and has a long payout history. AQN stock yields 4.3% at the moment, higher than the broader market's average.

Notably, interest rates and utility stocks generally trade inversely to each other. However, given Algonquin's discounted valuation and handsome yield spread, the stock will likely remain strong.

Algonquin has notably outperformed peers in the last decade, driven by its superior earnings growth. Its regulated operations offered earnings stability, while large renewable operations offered growth. AQN's consistently growing dividends will likely generate [handsome total returns](#) for the future.

Suncor Energy

In an inflationary world, goods and services turn more expensive. So, companies that can pass on their rising costs to consumers benefit from rising inflation. Canada's integrated energy titan **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is one of them. Suncor Energy operates on the entire energy value chain from oil production to its distribution at the fuel outlets.

Energy companies like Suncor can effectively transfer a higher cost burden to end users through higher gasoline prices. Also, the recent rally in crude oil prices will likely benefit Suncor with higher production revenues.

Suncor currently pays a [stable dividend yield](#) of 3.8%. It trimmed shareholder payouts by 55% last year when oil prices tumbled amid the pandemic. Thus, the company might reward shareholders with higher dividends this year driven by expected earnings recovery.

Suncor Energy stock is up almost 50% so far this year. Interestingly, it still does not look expensive from the valuation front, making it an attractive bet in this inflationary environment.

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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSEMKT:BTG (B2Gold Corp.)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BTO (B2Gold Corp.)
6. TSX:SU (Suncor Energy Inc.)

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