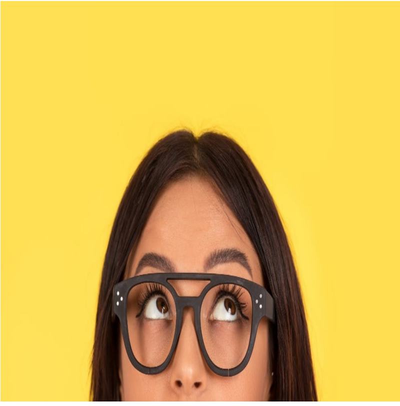

Buy These TSX Stocks to Take Advantage of Inflation

Description

Inflation fears started to sprout in early 2021, but some economists were still keen to throw cold water on the prospect. In April, I'd suggested that investors should stash TSX stocks that were poised to gain in an inflationary environment. Statistics Canada would later reveal that prices increased in April at the fastest annual rate in almost 10 years. Today, I want to look at three TSX stocks that are worth targeting in this climate. Let's jump in.

Food prices are surging in 2021

Metro (TSX:MRU) is a Montreal-based grocery retailer. In late May, I'd discussed why TSX stocks in the grocery retail space were worth targeting as inflation spiked. The 2021 Canada Food Price Report suggested that meat and vegetable prices would rise between 4.5% and 6.5% for the year. This continues to weigh on consumers. They can look to mitigate the pain by stashing TSX stocks like Metro.

Shares of Metro have climbed 1% in 2021 as of mid-afternoon trading on June 14. The stock is up marginally from the prior year. That has made Metro a solid defensive option over the past year. In Q2 fiscal 2021, the company reported sales growth of 5.1% to $4.19 billion. Food same-store sales were up 10% for the first 10 weeks of the quarter. Meanwhile, adjusted diluted net earnings per share jumped 8.3% to $0.78.

Metro possesses a favourable price-to-earnings (P/E) ratio of 17. Moreover, it offers a quarterly dividend of $0.25 per share. That represents a modest 1.7% yield.

Higher inflation has impacted oil and gas prices in recent months

Surging gasoline prices played a major role in April's inflation rate. Meanwhile, oil prices have also soared. The price of WTI crude and Western Canadian Select (WCS) have both hit 52-week highs in recent weeks. This is why I have my eyes on **Imperial Oil** (TSX:IMO)(NYSE:IMO). Shares of this TSX stock have climbed 66% so far this year. The stock is up 75% from the same period in 2020.

The company unveiled its first-quarter 2021 results on April 30. Net income rose to $392 million compared to a $188 million loss in the prior year. Meanwhile, it achieved cash flow from operating activities of over $1 billion. Like its peers, Imperial Oil received a boost from improved oil prices.

This TSX stock last paid out a quarterly dividend of $0.27 per share. That represents a 2.6% yield. It is not too late to target oil equities in this environment.

One more TSX stock to buy as inflation spikes

Richelieu Hardware (TSX:RCH) is the last TSX stock I'd like to focus on as inflation rises. Lumber prices have exploded over the course of the past year. This has led to higher prices for building materials. However, Canadians are not slowing down their construction projects. On the contrary, a red-hot real estate market has spurred citizens to splurge on their homes.

This Montreal-based company manufactures, imports, and distributes specialty hardware and complementary products in North America. Its shares have climbed 29% in the year-to-date period. This TSX stock last had a P/E ratio of 25, which is solid in this frothy market. Moreover, it offers a quarterly dividend of $0.07 per share, representing a modest 0.6% yield.

CATEGORY

1. Investing

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3. TSX:MRU (Metro Inc.)
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