Inflation: 3 Stocks That Are Immune

Description

Even with the economy only partially reopened, inflation is already skyrocketing. The annual pace of inflation hit 3.4% last month — the highest it's been since 2011. As people start traveling and the economy fully reopens, inflation could be far higher in the months ahead.

That's bad news for savers and investors. Inflation is an invisible tax on your earnings, and most companies fail to produce returns that outpace the cost of living during such economic cycles.

With that in mind, here are the top three "safe-haven stocks" that could protect your portfolio in the months ahead.

Inflation hedge #1

NorthWest Healthcare Properties (TSX:NWH.UN) is an excellent bet for investors worried about inflation. The company owns and manages healthcare properties such as clinics and hospitals across the country. There are three reasons this business model is inflation-proof.

First, healthcare is a service business that is uncorrelated to the rest of the economy. Medical bills need to be paid regardless of unemployment rates or the costs of raw materials.

Second, healthcare properties are not as easy to relocate as other businesses. Hospitals and clinics rarely need to move, which is why they can sign long-term contracts. In Northwest's case, the rental agreements have an average life of 14 years. That makes future cash flows remarkably predictable.

Finally, real estate is considered inflation-proof. Hard assets such as buildings should retain their value when the local currency depreciates. That puts a floor on Northwest's book value.

At the moment, this stock is trading at 10 times earnings per share and 1.4 times book value, and it offers a 6.3% dividend yield.

Inflation hedge #2

Another way to avoid inflation is to transmit it. Payment processor **Nuvei** (TSX:NVEI) benefits from the rising cost of living, because it raises transaction volumes on its network. Merchants raising prices will have to pay the same fee to Nuvei, which means the company's top line should expand during this cycle.

Other payment processors are in a similar position. However, Nuvei is one of the largest payment processors in Canada and is arguably more fairly valued. The stock trades at a forward price-to-earnings ratio of 62, which is fair for a growth stock. Earnings and margins should improve if merchants see a rebound in sales and higher prices this year. Keep an eye on this.

Inflation hedge #3

Inflation is most apparent in the cost of raw materials. Lumber, coal, steel, and any other raw material used to make tangible products should see a spike in prices. That's great for **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), which supplies the most important commodity of all: oil.

Canadian Natural Resources is closely correlated with the global price of crude oil. Over the past 12 months, the stock has doubled in value. That's because the price of a barrel of West Texas Intermediate (WTI) crude is at US$73.44, the highest level since the crisis erupted.

This reasonably valued stock trades at 24 times earnings per share and offers a lucrative 4.2% dividend yield. Add it to your inflation-proof portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:NVEI (Nuvei Corporation)
4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/22
Date Created
2021/06/29
Author
vraisinghani