



## Inflation in Canada: 2 Super TSX Stocks to Buy

### Description

In early April, I'd [discussed](#) rising inflation in Canada. Statistics Canada recently reported that the inflation rate hit 3.6% in the month of May. The cost of shelter jumped 4.2% from the prior year, which was the fastest jump since 2008. Meanwhile, the cost of furniture and appliances increased 4.4%. This was the largest price increase in durable goods since 1989. Today, I want to look at two TSX stocks worth adding as inflation surges.

### Why inflation has picked up in Canada in recent months

Canada is not alone in experiencing a spike in inflation. These trends are also present in the United States. Policy makers are divided in explaining this phenomenon. Central banks have practiced loose monetary policy since the 2007-2008 financial crisis, but inflation has typically been kept under control. However, record stimulus and soaring liquidity during the COVID-19 pandemic has had an impact on CPI. Moreover, gasoline and oil prices have surged on the back of a global economic recovery.

### Grocery stocks are worth targeting today

Food prices have also experienced a significant spike in Canada. In late 2020, the Canada Food Price Report projected that meat and vegetable prices would rise between 4.5% and 6.5%. Grocery stocks are a solid hedge against inflation in this climate. **Metro** ([TSX:MRU](#)) is a Montreal-based grocery retailer. Its shares have climbed 2.7% in 2021 as of early afternoon trading on June 30. The TSX stock is up 5.6% from the prior year.

Metro released its second-quarter fiscal 2021 results on April 21. Sales jumped 5.1% from the prior year to \$4.19 billion. Food same-store sales were up 5.5%. Meanwhile, adjusted net earnings climbed 6.5% to \$194 million.

Shares of Metro last had a favourable price-to-earnings (P/E) ratio of 17. The TSX stock offers a quarterly dividend of \$0.25 per share. That represents a modest 1.7% yield.

## Higher lumber prices should keep investors' attention on this TSX stock

Lumber prices have also experienced [significant growth](#) in this inflationary environment. Fortunately, this surge has eased in the month of June. Industries reliant on lumber shipments will be relieved by this development. This has put significant pressure on contractors. **Hardwoods Distribution** (TSX:HDI) is an Ontario-based company that is engaged in the wholesale distribution of architectural building products to the residential, repair and remodel, and commercial construction markets.

The company unveiled its first-quarter 2021 results on May 12. First-quarter sales jumped to a record \$368 million and delivered record quarterly profit per share of \$0.77. To top it off, Hardwoods also achieved record adjusted EBITDA of \$32.5 million. The company was bolstered by favourable market conditions as well as strong operational and strategic execution. Strong lumber prices will continue to underpin the company's performance going forward.

Shares of this TSX stock last possessed an attractive P/E ratio of 18. Hardwoods last paid out a quarterly dividend of \$0.10 per share. This represents a modest 1.1% yield.

### CATEGORY

1. Investing

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1. TSX:ADEN (Adentra)
2. TSX:MRU (Metro Inc.)

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### Author

aocallaghan

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