



2 Canadian Stocks to Buy As Inflation Continues to Rise

Description

Ever since the pandemic began less than a year and a half ago, there's no question that the market has recovered well. In Canada, the economy is well on its way to reopening, Canadian stocks are rallying, and aside from fears of inflation, the economy looks in great shape.

Everyone deserves credit for getting through the pandemic. Of course, the healthcare and front-line workers deserve a massive thank you.

The government has done a good job, especially in sourcing and distributing vaccines after getting off to a slow start. And most importantly, Canadian citizens have played a key role by being willing to get vaccinated.

Now, though, as the pandemic looks to be behind us, the economy and Canadian stocks face another significant challenge, rising [inflation](#).

How is inflation impacting the economy?

When the pandemic first hit, it was key for governments to prop up the economy. Otherwise, there was a major potential that it could crash.

This resulted in governments all over the world, but especially in North America, pouring tonnes of money into the economy. Central banks also contributed, lowering interest rates and making it super cheap to borrow.

And while that was crucial to keeping the economy afloat last year, now it's starting to weigh on the economy. The result of all this stimulus has been too much money flowing around, which is now starting to push prices up.

The most recent CPI report, a measure of inflation, showed that, on average, prices rose by more than 3.5% year over year in May.

In the United States, it was even more severe, with core CPI up 4.5% year over year. A 4.5% inflation rate is extremely high, more than double the long-term goal of central banks in North America, which shows that prices are currently rising too fast.

Of course, there's no guarantee that inflation will continue to rise. When it comes to economics, nothing is ever guaranteed. However, without any major changes, it wouldn't be surprising if inflation doesn't continue to grow.

And since inflation can be devastating to your savings and investments, if you're looking to protect your portfolio and take advantage of the opportunity, here are two stocks that could be positively impacted.

A top Canadian energy stock to buy if you're concerned about inflation

To find Canadian stocks that can withstand rapidly rising inflation, you want to find companies that can easily pass on the increase in costs to their consumers. Typically this means commodities businesses which is why one of the top stocks to consider today is **Freehold Royalties** ([TSX:FRU](#)).

Freehold is a high-quality [dividend stock](#) that earns a royalty off all the energy produced on its land. As the economy recovers and more oil is produced, the company can expect to see a big jump in revenue, which is what we've witnessed in the last few months.

However, rising prices can also play a key role in how much these companies produce and how much royalties are paid to Freehold.

Several energy stocks will be worth an investment if price levels continue to tick up. Freehold is just one of the lowest-risk businesses in the industry, which is why it's one of the top Canadian stocks to buy if you're worried about inflation.

A top gold stock trading ultra-cheap

Another high-quality company to consider today is **Kirkland Lake Gold** (TSX:KL)(NYSE:KL).

Gold stocks can also be a great investment if you're worried about inflation. Not to mention gold prices have been selling off recently, making these gold stocks extremely cheap.

When inflation rises, gold prices typically do ask well. And while it does get more expensive for companies to produce gold as inflation is rising due to higher costs such as fuel, top companies can still find ways to grow their margins.

Kirkland Lake is especially attractive as it's one of the largest gold producers you can buy. The company has operations in Canada and Australia, meaning little political risk, which is important in the gold sector.

And with the stock down more than 33% off its 52-week high, now looks like the perfect time to buy. I don't expect gold stocks to be this cheap for much longer.

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