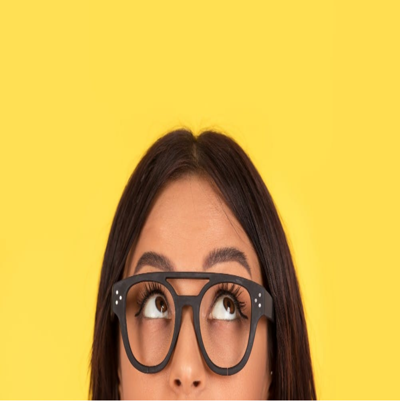

Inflation Cracks 4%: Are Your Stocks at Risk?

Description

Inflation in Canada managed to climb to its fastest pace since 2003 in August, rising by 4.1% between August 2020 and 2021. Statistics Canada posted the figures on September 15, citing the fifth consecutive month of inflation readings being higher than the 3% cap defined by the Bank of Canada. The last time inflation was so high was back in March 2003, when it rose to 4.2%.

Economists predicted an annual gain of 3.9% in inflation, but the rising home and food prices are being attributed as major reasons for the higher-than-expected rise in inflation rates. The coming months could see inflation rates rise even higher, causing investors to worry. It would be wise to begin planning for a market correction under these conditions.

Rising living costs are a virtually invisible factor that can affect your overall investment returns. Your investment portfolio needs to provide you with at least 4% returns just to keep pace with inflation.

Today, I will discuss two stocks that you can consider adding to your portfolio to protect and continue growing your wealth, despite the rising inflation rates.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) stock is a favourite among long-term investors due to its ability to continue generating predictable cash flows regardless of what is happening in the broader markets. The utility holdings company operates 10 utility businesses in highly regulated markets in Canada, the U.S., and the Caribbean. The essential nature of its services makes the stock relatively immune to the economic cycle.

Fortis relies on its regulated assets to generate most of its revenues. It means that the company's management can use its predictable income to fund its growing dividends comfortably. With a 47-year dividend-growth streak, Fortis stock is one of the best among Canadian Dividend Aristocrats, and there is only one other stock on the **TSX** with a longer dividend-growth streak.

At writing, the stock is trading for $57.14 per share, and it boasts a juicy 3.54% dividend yield that can help you keep pace with inflation rates combined with its gradual capital gains.

Nuvei

Nuvei (TSX:NVEI) stock began trading on the stock market in September 2020, and it seems well positioned to provide you with the capital gains you might need to beat market inflation. While the stock is relatively new in the market, the growth stock could be the perfect addition to your portfolio in inflationary market conditions.

The payment-processing company effectively benefits from rising inflation. Rising living costs mean that the company will garner greater revenues through higher transaction values when the merchants operating on their network raise the prices for the goods they offer.

At writing, the Canadian growth stock is already up by 238% since its IPO, trading for $156.28 per share. Its impressive growth rate does not just cover the inflation rates. Its growth dwarves the inflation rate right now, and it could be the ideal investment to deliver market-beating returns for your portfolio for years to come.

Foolish takeaway

Factoring in rising inflation rates is crucial when deciding how to allocate your investment capital. August 2021 saw your living costs increase by 4%, and experts do not expect these levels to decrease for a long time. Think of it as an additional tax on all your wealth that you cannot avoid no matter what you do. The only thing you can do is increase the overall returns from your invested capital.

Fortunately, stocks like Fortis and Nuvei can help you achieve the goal of not just keeping pace with inflation but growing your wealth at a faster rate.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. TSX:FTS (Fortis Inc.)
3. TSX:NVEI (Nuvei Corporation)

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