



Inflation Is Rising: 2 Stocks That Are Immune

Description

The [inflation rate](#) in Canada accelerated to an 18-month high in August, at 4.1%.

As we brace for an energy crunch and further government spending, inflation could accelerate further.

This is an invisible tax on investors. Fortunately, some Canadian sectors are immune to inflation (or actually benefit from higher prices). Here are the top two stocks you should consider if you're seeking a safe haven for the months ahead.

Nuvei

Nuvei ([TSX:NVEI](#)) is a top pick for investors worried about higher prices. That's because the company transmits inflation. If merchants on the Nuvei network raise prices, the company's transaction volume and gross profits rise.

It's an interesting pick because Nuvei is also a growth stock. It's up roughly 200% over the past year. The company's acquisition-based growth strategy seems to be working. In fact, there's enough room for the company to [grow tenfold](#) in the years ahead.

Unfortunately, the company's growth rate also makes it part of the "technology basket" that's been underperforming recently. Nuvei gets punished along with relatively overvalued tech stocks when inflation and rates rise. At the time of writing, the stock is down 7%.

That creates an opportunity for investors who have a better understanding of its valuation and business mode. Nuvei's combination of inflation-resistance and robust growth makes Nuvei a top stock pick for the rest of 2021 and beyond.

CN Rail

CN Rail ([TSX:CNR](#))([NYSE:CNI](#)) is another potentially inflation-immune stock.

The stock is flat so far this year, but there are reasons to be optimistic about the path ahead. The company recently missed its chance to acquire **Kansas City Southern**. The stock jumped immediately after the deal fell apart, indicating that investors were delighted with the outcome.

CN Rail paying [\\$33 billion](#) to acquire KSU implied 53 times earnings, a hefty valuation for a railroad company. Considering that CN Rail itself is trading at 27 times earnings, the deal was certainly over the top.

Now the company has about \$1.1 billion in cash and equivalent as of the end of 2020. Its second-quarter report also lists \$3.4 billion in assets. In other words, it's in good financial shape and seems to have avoided considerable debt.

Investors expect strong growth potential as prices rise. CN Rail boasts of a robust rail network that connects ports on the Atlantic and [Pacific coasts](#) in Canada into the United States. Increased demand for raw materials and natural resources could boost the stock further in the months ahead.

That's what makes CN Rail such an ideal inflation-hedge.

Bottom line

Inflation is rising and investors are worried. Not only does this diminish purchasing power, but it could also lead to higher interest rates and lower valuations. That's why tech and growth stocks are correcting.

Undervalued, inflation-immune stocks like Nuvei and Canadian National Rail should be on your radar.

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3. TSX:NVEI (Nuvei Corporation)

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