Worried About Inflation? 1 Canadian Dividend Stock to Buy at 52-Week Lows

Description

This recent bout of inflation may or may not be transitory. The U.S. Federal Reserve chair Jay Powell admitted that inflationary pressures could be extended into next year, going as far as to call the inflation “frustrating.” Undoubtedly, low GDP and high inflation is the nightmare scenario that investors feared. While there’s no telling when inflation will move back towards that 2% target mark, I think that investors had better be prepared for anything over the next few years, including a dreaded stagflation environment, which could see meagre growth and high inflation.

Could inflation move back to or even below 2% at some point next year without the adoption of a considerably more hawkish monetary policy? And could such hikes spark another recession? Or are we going to have to live with 3-6% inflation as the new normal?

Inflation? Stagflation? Transitory? What to make of this inflationary environment

Stagflation isn’t a word we’ve heard in quite a while.

Indeed, once inflation rears its ugly head, it can be hard to do away with it completely. In a way, prolonged inflation can be like some sort of genie in a bottle. It can go dormant for years and decades. But once released, it could take a lot of effort to get it to go back in the bottle. For now, Powell, who’s more focused on employment, isn’t keen on doubling down on efforts to combat inflation. But if one or two rate hikes are on the horizon, growth stocks could be ready to even more damage. In any case, there’s probably only one group of folks that are nearly guaranteed to get punished over the coming 18 months: savers.

Those with excess savings in sub-1% interest rate-generating accounts are poised to take a substantial hit if Powell is wrong about inflation and it persists through the end of next year. That’s why top Canadian value stocks are a great place to invest, as the inflation storm and market volatility picks up in what’s looking to be a rocky 2022.

These days, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) seems to be one of the top Canadian dividend-growth stocks at the crossroads between value and inflation protection. The renewable power play offers a juicy, growing dividend (currently yielding 4.7%) that can help soften the inflation blow.

Algonquin Power: A Canadian dividend stock at 52-week lows

After its latest August-September slide, Algonquin stock finds itself right back to its 52-week lows of $18 and change — a low that I believe will hold up. Indeed, COVID-19 has caused considerable pressure on the green energy and utility firm. Still, there's no denying the long-term fundamentals and the robust operating cash flow stream that's more than capable of supporting the handsome payout and the firm's ambitious growth prospects.

Indeed, Algonquin looks to be one of the cheaper green energy stocks in Canada these days. At just 13.1 times trailing earnings, it's hard to ignore the company, even with the issues that should resolve themselves with time. Assuming 4-5% inflation will persist over the medium term, Algonquin's nearly 5% yield will help one keep their purchasing power above water.

What are the odds that Algonquin is near a bottom here? Given AQN stock is sitting on a solid level of support, I'd argue that the odds of bottoming near $18 is high. That makes the name suitable to traders and long-term investors alike.

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