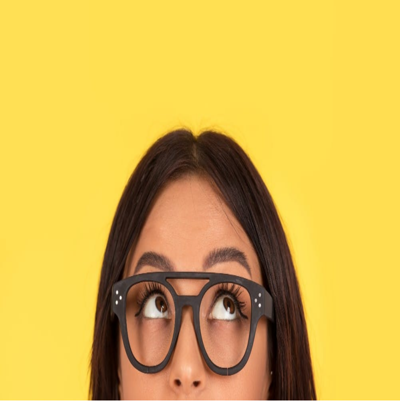

How to Invest in the Market as Inflation Soars

Description

The COVID-19 pandemic caused what has proven to be an impressive shock. Initially, suppressed demand and oversupply of key commodities led to a sharp selloff. However, the economic recovery spurred by monetary and fiscal stimulus has resulted in impressive inflation of late.

Factories that shut down as a result of the pandemic take time to reopen. And all this unspent consumer cash has nowhere to go.

Accordingly, investing in the market as inflation is continuing higher is a difficult task. Let's take a look at how investors may want to think about investing in this environment.

Can inflation dampen your investment plans?

Typical measures of inflation have exceeded the Bank of Canada's range for the past six months. Most experts attribute this to supply chain issues, which remain prevalent.

However, the view of most central banks is that this inflation is transitory. If that's the case, there's probably nothing to worry about. Maybe we're still actually in a deflationary trend, and this stimulus is still needed.

However, looking around, prices are rising — rather dramatically. As per Statistics Canada, the consumer price index rose by 4.4% in September against last year at the same time. Since February 2003, this is the highest reading. This record also exceeds the expectations of 4.3% by Bloomberg's survey of economists.

These inflation readings have prompted calls for the Bank of Canada to raise rates sooner than other economies. Accordingly, in this rising rate environment, which stocks are good investments?

On the one hand, growth stocks tend to take a beating in a rising rate environment. The high valuations these stocks exhibit are largely a result of the monetary policy we've seen of late.

Dividend-paying stocks also tend to take a hit, because bonds become more attractive relative to equities. That said, there's one Canadian stock I think is worth a look in this environment.

Why Fortis stock is a great pick

In my view, **Fortis** (TSX:FTS)(NYSE:FTS) continues to be one of the best options for investors to own in this environment, for a few reasons.

First, the company's cash flows are extremely stable. The vast majority of the revenue Fortis produces comes from regulated utilities. This provides bond-like dividend income for investors concerned about uncertainty. Right now, that certainly seems like a good place to be.

Secondly, the company's dividend yield of 3.9% is both robust and fast-growing. The company has raised its dividend for nearly five decades straight and is a Dividend Aristocrat to consider in any market.

Right now, there are few great options for equity investors to battle inflation, unfortunately.

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