2 Canadian Stocks to Help Investors Deal With Inflation

Description

Inflation isn't backing off, at least not yet, with the U.S. consumer price index swelling to 6.2%, the highest it's been since 1990. If investors were jittery about inflation earlier in the year, they're probably really anxious now, even with the Fed tapering and poised to raise rates in the new year.

Inflation is here — and nobody knows when it will ease

Undoubtedly, the transitory inflation belief is beginning to wane, and investors may feel inclined to rush to gold and cryptocurrencies. On Tuesday, gold picked up traction, with Bitcoin and Ether a hair's breadth away from reaching new highs. Indeed, we won't know when inflation will begin to show signs of backing down. When it does, alternative assets like gold and Bitcoin could retreat modestly. Until then, though, the environment looks set for both assets to continue roaring higher. Gold, in particular, looks to be in a spot to make up for lost time, given that the asset has been a weak performer for most of 2021.

Gold and gold miners seem like the most obvious ways to protect your wealth from the insidious impact of elevated inflation. Financials, most notably the Canadian banks, which are slated to hike their payouts once again, are also magnificent bets going into what could be a year that could favour value over growth for the first time in a while.

TD Bank (TSX:TD)(NYSE:TD) and **Barrick Gold** (TSX:ABX)(NYSE:GOLD) are two stand-out candidates for Canadian investors looking to pivot to offset the effects of inflation above the 5% mark.

TD Bank

As inflation spirals out of control, central banks are going to start raising interest rates. The Bank of Canada already noted that it might have to increase rates sooner rather than later. The latest CPI numbers could bring forward such rate hikes, and it's deposit-heavy banks like TD Bank that could have the most to gain.

Regulators are allowing the banks to hike dividends again. Arguably, TD's dividend has the most room to run over the next five years, as its margins expand alongside loan growth. As a Canadian and American retail banking play, TD is geographically diversified and is a fine addition to any portfolio that's ill-prepared for higher inflation and rates.

The 3.43% dividend yield is bountiful and can help investors deal with higher prices across the board. At 10.9 times earnings, TD is also one of the cheapest Big Six banks, primarily due to the past year of relative underperformance. Such underperformance, I believe, will not last.

Barrick Gold

For investors bullish on a gold turnaround, the miners are the way to play it for amplified upside. In terms of miners, Barrick Gold should be atop one's shopping list, given its incredibly well-run operations and its wealth of high-grade mines. Barrick also has a bountiful dividend yield of around 1.8%, making it one of the most productive ways to play an otherwise unproductive asset.

As long as gold doesn't implode, the payout is secure and can be expected to grow as gold prices continue their ascent after a year-long breather.

Barrick stock surged nearly 5% on Tuesday in response to higher inflation numbers. I think the bounce is just a hint of what's to come over the next year, as inflation jitters intensify. Barrick is one of my top picks in the space.

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