1 Top Canadian Stock to Help You Beat Inflation

Description

There's always a bargain on the **TSX Index** if you're willing to do some looking. Indeed, valuations may be on the higher end, and some bearish pundits may be ringing the alarm bell over a rising rate environment and all the sort.

But at the end of the day, rates are still near historic lows. And with inflation climbing higher and higher, it's wise to hedge your bets by playing both sides of the coin. That means holding enough cash to take advantage of better opportunities as they come around in the event of a market correction and also putting excess money to work so you're not left taking a bigger hit from elevated inflation that may stick around for longer than we expect.

Indeed, nobody knows if disinflationary pressures will bring inflation back below the 3% mark this year or in many years from now. The U.S. Fed views inflation as transitory. But what does transitory mean? Will inflation come back down to Earth next year? In three years from now? Or will it be a prolonged period before the inflation genie is put back in the bottle?

It's hard to put the genie back in the bottle once it's out

Undoubtedly, many of today's investors don't know what an inflation-plagued environment is like. Inflation above the 6% mark is quite jarring for many. While there are disinflationary forces brought forth by technological innovation, it's unclear how long it'll take for such forces to work.

There's a chance that inflation could stay above 3-4% for another year, if not longer. Indeed, the opportunity costs of holding cash are higher than in around 30 years; the last time inflation in the states was at these heights. At the same time, market valuations are a tad on the high side, especially with the higher-growth names. Faster-than-expected rate hikes could leave such growth stocks most at risk. Fortunately, you don't need to place bets on high-multiple securities, especially if you're a conservative investor who would have otherwise had a greater allocation of their portfolios devoted to cash or bonds.

Fortis: The ultimate way to beat inflation on the TSX?

Boring dividend growth stocks with a low degree of correlation to the TSX Index like **Fortis** (TSX:FTS)(NYSE:FTS) may be one of the better names to look to for investors looking to beat inflation but don't want to be on the receiving end of the next market-wide pullback.

Of course, low correlation doesn't mean immune from volatility when the market waters get rough. As we witnessed during the 2020 coronavirus market crash, low correlations on defensive equities can be less meaningful, as everybody rushes to raise cash across a wide range of securities.

Still, Fortis is a magnificent way to tame volatility and will likely be one of the names that will bounce back suddenly once panic-induced sell-offs conclude. So, if you're willing to hold through tough times (the dividend is a great incentive to hold and not trade the stock), Fortis stock is arguably one of the better Canadian bond proxies to buy a portion of the cash that you're worried will be lost to 5-6% inflation.

The 3.8% yield is as secure as they come. Better yet, it's poised to grow gradually over time, allowing investors to truly sleep comfortably at night, as the dividend looks to (mostly) offset today's elevated levels of inflation.

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