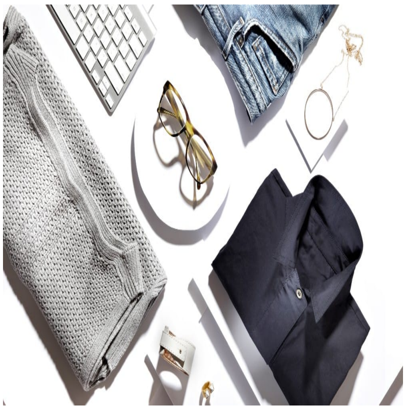

Inflation to Skyrocket 5%? 2 Stocks to Fight it Off

Description

The plan is out regarding cooling down rising inflation in Canada. The Bank of Canada confirmed that it must contain the rapid rise or else economic growth stalls. The pressure on the central bank has intensified in that the timetable to raise interest rates could be sooner than later.

Some economists say Canadians can expect an inflation tsunami, not to mention more than four interest hikes in 2022. The inflation rate in October 2021 rose to 4.7%, from 4.4% in the previous month. Also, the latest figure is the highest since 2003 and in the upper band of BOC's control range.

Alarm bells are now ringing in the stock market. Investors are anxious because inflation not only eats up purchasing power but also erodes investments' value. It has become imperative to inflation-proof your investments while you can. You can fight off the risks by moving to safety nets.

A "forget" income stock

The utility sector is boring to many investors, but it houses assets that lessen inflation's impact. **Fortis** (TSX:FTS)(NYSE:FTS) is the go-to stock of most risk-averse income investors taking defensive positions. You can liken the stock to fixed-income instruments like bonds due to its low-risk business model.

Since the $26.63 billion electric and gas utility company derives nearly 100% of revenues from highly regulated utility assets, it's a forget income stock. Your income stream will flow regardless of the market environment. Also, Fortis is approaching dividend king status.

A Dividend King is a stock that has raised its dividends for 50 years in a row. Fortis has done it for 47 years and counting. Management announced in previous conference calls that it will grow its dividends by 6% annually through 2025. It's not lip service because of the $20 billion five-year capital plan.

Fortis expects its rate base to be $41.6 billion by 2026. It should support earnings and dividend growth in the coming years. The share price is $56.32 (+12.41% year to date), while the dividend yield is 3.85%.

Stable retail REIT

Expect Canada's red-hot housing markets to cool down too once borrowing costs increase. Apart from low inventory, speculators drive real estate prices higher, creating an affordability crisis. For investors, Real Estate Investment Trusts (REITs), a sub-sector, are alternatives to purchasing physical properties at inflated prices.

Choice Properties (TSX:CHP.UN), one of the few real estate stocks with Dividend Aristocrat status, can mitigate inflation risks. The $4.91 billion REIT pays a lucrative 4.93% dividend and has been steady from most of 2021. At $15.01 per share, the stock enjoys a 20.04% year-to-date gain.

Management's investment pitch to investors is that Choice Properties creates enduring value through the ownership, operation, and development of high-quality commercial and residential properties. Its long-standing strategic relationship with **Loblaw** and the necessity-based tenants are the positives.

The REIT also has industrial, office, and residential assets in its diversified portfolio (718 properties). While Choice is predominantly retail (80%), the average occupancy rate is 97%. In Q3 2021, rental revenue increased 2% versus Q3 2020, while net income soared 68% to $163.67 million.

Hedge now

Inflation is starting to unsettle the market despite the rising crude prices. If you want to hedge against it, do it now. Move your money to safety nets.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
3. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Smart News

PP NOTIFY USER

1. arosenberg
2. cliew

Category

1. Dividend Stocks
2. Investing

Date
2025/09/09
Date Created
2021/11/22
Author
cliew