



## Why Are Prices Rising? 2 TSX Stocks to Beat Inflation

### Description

The price of almost everything – food, gasoline, rent – are rising. And this is not a normal surge, but a significant surge that is burning a hole in your pocket. Your purchasing power is falling, and so is the value of your investment returns. Why are these prices rising, and until when will they increase? And how can you protect your stock market returns from inflation? I will address all three questions in this article.

### Why are prices increasing?

Canada's [November inflation](#) stood at 4.7%, similar to October 2021, the highest in more than 18 years. The key inflation driver is gasoline prices that surged 43.65% year over year. When gasoline prices rise, overall logistics and transportation costs rise, thereby increasing prices for end-consumers. There is pent-up demand for goods and services, but supply chain disruption and labour deficit are creating a supply gap. This gap in demand and supply is increasing prices further.

Moreover, the Omicron variant is creating uncertainty around demand. In the March 2020 dip, a sudden decrease in demand pushed many businesses, like airlines, discretionary retail, and oil into losses. Hence, they are hesitant to increase supply. Some businesses are temporarily closing factories as they can't bear the high energy cost. Moreover, the government is removing stimulus support. All this is adding to inflation.

### How long will the inflation rate remain high?

The inflation rate is likely to remain high for some time until supply improves, especially gasoline. For fuel prices to come down, oil companies have to increase supply. For that, the demand uncertainty has to fade. It is difficult to say how the Omicron variant will impact the economy; it could lead to border closing or a small wave with lockdowns in red-zone areas.

This uncertainty is keeping oil producers wary of increasing production. Even if oil producers increase supply, it will take time for oil prices to fall. Then there is another fear that high inflation could reduce

purchasing power, negatively affecting the pent-up demand. In this uncertain environment, how do you protect your investments from losing value? By staying calm and building a balanced portfolio.

## 2 TSX stocks to beat inflation

The stock market is full of ups and downs. Instead of looking at the market noise, look at the company's potential in the current environment. See if there is a material change in the industry that will impact the company's future cash flow. If no, then stay invested. This will keep you calm in a bear market.

Another thing that will build your confidence is if your portfolio is hedged against inflation. A good inflation hedge in the current economy could be essentials like oil and gas and essential [retail stocks](#).

### Loblaw stock

You won't stop going to **Loblaw** ([TSX:L](#)) because things are expensive. At the same time, Loblaw won't give you significant growth in a normal market. Think of it this way, would you buy more fruits than you can consume. I know some people love to stock up inventory, but that is just a drop in the ocean for Loblaw. Loblaw runs supermarkets and pharmacies across Canada. You would be surprised to know, but the food retailer's stock surged over 55% this year and is now trading close to its all-time high.

### Suncor stock

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a key beneficiary of inflation. Rising oil prices have boosted Suncor's cash flows, and it doubled its dividend this year after slashing it 55% last year. As long as there is high oil demand, Suncor stock could give you good returns. It has surged 35% in the last 12 months, but has [dipped](#) 10.5% on Omicron uncertainty. This is a good time to buy the stock and lock in a 5.56% dividend yield before it returns to rally.

#### CATEGORY

1. Energy Stocks
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3. TSX:SU (Suncor Energy Inc.)

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