1 of the Best Canadian Stocks to Buy Before 2022 Rate Hikes

Description

Faster and more furious interest rate hikes could deal a right hook to the chin of high-multiple stocks, and many growth-focused investors may never see such a hit coming.

In order to better defend against such surprising hits or shocks, one must ensure a diversified portfolio of both growth and value. Indeed, many were excited when growth led the stock market's upward charge out of the 2020 stock market crash. Now that the tides have turned, investors must be careful, as many high-multiple names are still vulnerable with elevated price-to-revenue multiples.

That's not to say that all growth is to be avoided. Rather, one should insist on growth at a reasonable price tag. And, if possible, a growth stock that's profitable in the now rather than profitable at some point down the road, because, like it or not, rate hikes are coming, and they could come fast enough such that growth-heavy investors won't be able to dodge the blow.

Interest rate hikes aren't necessarily curtains for investors seeking sizeable gains

In this piece, we'll have a closer look at one of the most solid Canadian stocks that help one do well in a rising-rate environment. Higher rates are inevitable, but you need not fear. Although it can be harder to make money with certain asset classes. It is still possible for broader stock markets to do well. And as a stock picker, it's possible to do even better! Rising rates are perceived as a negative for growth-focused folks like Cathie Wood. But you don't need to be an innovation-first, high-multiple growth stock investor. You can dodge and pivot with the environment and set yourself up for solid results without having to put yourself at risk. Diversification is vital, especially when the "tune" of the macroeconomic environment begins to change.

Consider shares of **National Bank of Canada** (TSX:NA), one disruptive firm that has the means to do extraordinarily well as rates rise and the hyper-growth trade folds.

National Bank of Canada

I'm not afraid to admit it: I've counted National Bank of Canada as a bank unworthy of joining the likes of its five bigger brothers in the past. After a remarkable 2020 of resilience and a willingness to take risks to join the league of the Big Five, I think it's about time we all refer to the Canadian banks as the Big Six. Indeed, National Bank is not only worthy of accompanying its far bigger banking peers, but it also may be a better bet, given the incredible management team and an intriguing growth opportunity at hand.

You see, National Bank is serious about expanding into new provinces. While it's still a more regional bank than its peers, most of which have a dominant presence in Canada and other nations, it does have the means to spread its wings domestically. Whether National Bank wants to make a massive splash south of the border in a few years is anyone's guess. Regardless, I am a fan of National Bank's growth prospects and think it's one of the best domestic banking plays out there today.

As rates rise in Canada, National Bank has the means to build on its margins. By scrapping commissions on trading, National Bank is also not afraid to push Canada into the new age of banking, even if it means a bit of short-term pressure on profits. Short-term pain for long-term gain is what National Bank is all about. And I think such measures can help it catch up to the banking giants here in Canada.

If I had to place a bet on which bank would grow its dividend at the quickest rate over the next decade, my money would probably be on National Bank. Number six has room to run, and it looks incredibly cheap after the latest dip induced by a rare quarterly flop. My takeaway? It's time to buy if you seek to profit from rising rates over the next five years.

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