



Inflation Hedge: 2 Top TSX Stocks to Buy Now

Description

Persistent inflation and rising interest rates could be the big story in 2022. Investors with some cash to put to work before the end of the year might want to buy stocks in [sectors](#) that should perform well in this environment.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank by [market capitalization](#). The company is best known for its strong retail banking operations in Canada, but TD is also a major player in the United States with a branch network that runs right down the east coast from Maine to Florida.

TD is sitting on a significant cash hoard it built up to ride out the pandemic. The CET1 ratio at the end of fiscal Q4 was more than 15%. That's well above the 9% required by regulators. TD is using part of the funds to increase dividends and buy back shares. The board just raised the distribution by 13%. Owning stocks with strong dividend growth is one way investors can buffer their portfolios against inflation.

The Bank of Canada and the U.S. Federal reserve will likely raise interest rates several times in 2022 to fight inflationary pressures in the economy. This could put pressure on some borrowers, but the overall impact of rising interest rates tends to be positive for banks. They normally generate better net interest margins and can earn more on cash that is set aside to cover deposits.

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is a giant in the global fertilizer sector. The company is the world's largest producer of potash and a leading supplier of nitrogen and phosphate. Farmers around the world use the crop nutrients to boost yields. Nutrien also has a large retail business that supplies seed and crop protection products.

Commodity prices have soared in the past two years, and farmers are reaping above-average profits

on the increase in the value of their crops. This translates into higher demand for Nutrien's products, as growers plant more acreage to benefit from the strong market conditions.

Nutrien has an advantage in the market right now that should drive higher revenue and profits next year. The company has the capacity to increase potash production to meet rising demand at a time when other major competitors are struggling with operational challenges and economic sanctions. Nutrien added one million tonnes of output in the second half of 2021, and investors should see the impact in the Q4 2021 results.

Potash, phosphate, and nitrogen prices go through cycles, and the group appears to be in the early innings of a strong upward trend. Nutrien has the potential to be a free cash flow machine, and the market is just starting to realize how profitable this company might be in the next few years.

Investors could see a large dividend increase or a special return of capital in 2022.

The bottom line on top inflation stocks to buy now

TD Bank and Nutrien are industry leaders that generate strong profits and should do well in an environment of higher inflation and rising interest rates. If you have some cash to put to work heading into 2022, these inflation stocks deserve to be on your radar.

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3. TSX:NTR (Nutrien)
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