2 Inflation-Fighting Stocks to Buy and Hold for 10 Years

Description

Inflation may or may not calm down in 2022. Regardless, Canadian investors should have a plan to grapple with inflation in the 4-7% range. Undoubtedly, many of us have never had to deal with a prolonged period of problematic inflation. It's not a great place to be, especially with rates as low as they are. With rate hikes threatening to bring forth more volatility in the new year, as Omicron continues weighing heavily across various sectors of the world economy, the market environment is not for the faint of heart.

That said, there's still money to be made, as Canadians look to not only reduce the effects of high inflation but also look to get a leg up. Indeed, real returns can be had in the stock markets, especially across some of the cheaper, higher-yielding areas of the TSX Index.

In this piece, we'll have a look at two inflation-fighting stocks that investors can feel comfortable buying now and holding for the next 10 years. Not only will their growing dividends help one power through inflation, but continued growth in operating cash flows can help support generous annual dividend increases, with less regard for the state of the macroeconomic environment or when the pandemic ends.

Consider **Fortis** (TSX:FTS)(NYSE:FTS) and **Hydro One** (TSX:H), two rock-solid defensive dividend stocks that should form a foundation in your portfolio. Each name, I believe, grants investors a one-two punch to the gut of inflation. Both names are top-of-the-line utilities. But given their low betas, I like to view them more as a bond proxy.

Indeed, their low correlations to the broader market may make each dividend payer more favourable to certain risky alternative assets like **Bitcoin**. Such alternative assets are not only super volatile, but they haven't had the time to prove themselves as a long-term store of wealth. Sure, a decade and a half may be long enough for some, but for most others, Fortis and Hydro One look to be the way to preserve and grow one's nest egg for a potentially hostile environment in 2022.

Fortis

Fortis is about as stable as they come. With icy-cold conditions sweeping across Canada, demand for energy has been through the roof. Undoubtedly, such an environment bodes well for the Steady Eddies like Fortis. Indeed, climate change has paved the way for hotter summers and colder winters. With that, the need for electricity consumption is bound to rise. Such an environment could give Fortis a nice lift when it needs it most.

The stock, which goes for $60 and change per share, trades at 23.06 times trailing earnings, with a 3.53% dividend yield. With a wide moat and a low beta, shares of FTS are the ultimate way to keep your nest egg above water as inflation persists. Shares are up a solid 16.3% year to date, with likely more room to the upside in the new year.

Hydro One

Hydro One is another stable utility play whose shares are up 11.7% year to date. The company has a virtual monopoly in transmission lines in Ontario. Although growth has been hard to come by, there's no denying the incredibly robust operating cash flows that can power the firm's solid dividend.

Although the stock has been a steady riser, I still think the current environment ought to reward the name with a higher multiple. In terms of risk-off trades, there are few places to go. Bonds are unrewarding, especially as rates rise. Although higher rates don't bode well for utilities, Hydro One is a firm that can continue moving forward for investors, even in the face of trouble.

CATEGORY

1. Investing

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2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)

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