



2 Top Ways to Fight Inflation in 2022

Description

Inflation was supposed to be transitory (whatever that means), according to the U.S. Federal Reserve chair. Here we are in 2022, and inflation isn't just showing signs of cooling off; it's creeping higher, with amplification across certain classes of goods. Indeed, COVID shortages and all the sort are doing no favours to central banks who would love if inflation were to back down and fall towards that 2% target rate.

Unfortunately, the inflation genie is hard to get back in the bottle once it's been let out. In prior pieces, I'd warned that persistent inflation was a cause for concern, and that investors should have a plan to fight it off. The costs of holding cash are at a high point, with rampant inflation, which actually surpassed 6% in the United States. Undoubtedly, a trio of rate hikes could help put inflation back in its place (the 2-3% range). But what if inflation persists in spite of the rapid-fire rate hikes? In such a scenario, savers could have a real problem on their hands.

Inflation: Persistent or transitory?

That's why it's unwise to simply conclude that inflation is transitory, not worth worrying about, and continuing as planned, especially with overly conservative investors with more cash on the sidelines than most others. Yes, it's good to hold cash in any environment. Market crashes and corrections happen, and dry powder is needed to take advantage of the opportunities that arise. Steep plunges call for liquidity, as the best bargains can evaporate, as they did in the 2020 stock market crash!

At the same time, inflation is an insidious tax on those who hoard cash. It's good to be conservative and prudent. But it's a bad idea to neglect the wealth-eroding effects of inflation. Simply put, cash is less of a safe-haven asset, and those overweight in its via savings accounts should look to put money to work in securities that can help one move through this bout of inflation. Transitory or persistent, investors should be ready to deal with any type of inflationary environment through 2022 and beyond.

In terms of inflation fighters, here are two plays.

Gold and silver

First up, we have precious metals plays. Gold is historically a magnificent store of wealth when inflation comes in rough. Silver is more prone to cyclical swings based on demand but is still an intriguing option, especially after its latest selloff. Currently, gold and silver are in a funk, and their miners are in a world of pain.

While bullion, ETFs, and streamers may be an intriguing way to play gold and silver, I'd argue that the miners, which can be viewed as a leveraged way to play the precious metals they mine, are a [great bet](#) here.

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is a top-tier gold miner that's stuck in a rut. In 2022, gold could creep higher as the speculation is drained out of this market, both in high-multiple equities and various cryptocurrencies. To make ABX stock even better, you're getting a nearly 2% dividend yield while you wait. Such a yield can help you better dodge and weave through inflation, although it's the capital gains potential that can really help you gain a leg up on inflation.

Dividend stocks

Equities are a great way to combat inflation, but you've got to make sure you're in the right [equities](#) at proper valuations. Think cheap dividend stocks like Barrick Gold or **Enbridge**. Such battered plays boasts larger yields after they've suffered nasty declines. In a market where growth is being punished, and value is mostly being spared, dividend stocks are a solid bet. Not only can you avoid feeling a brunt of the damage from the tech wreck, but dividends will help you fight inflation.

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