TFSA Investors: The 3 Best Canadian Stocks to Buy When Interest Rates Rise

Description

Last year, it was announced that the annual contribution to a Tax-Free Savings Account (TFSA) would stay at $6,000 in 2022. That has brought the cumulative contribution room to $81,500. TFSA investors should be keen to shift their strategies based on interest rate hikes that appear to be on tap in the months ahead. On January 17, money market data put the chances of a January 26 rate hike by the Bank of Canada (BoC) at 70%. Investors should be prepared for this possibility. Today, I want to look at three Canadian stocks that are worth holding in the face of a rate-tightening climate. Let's dive in.

Here's why Suncor is perfect for a TFSA in 2022 and beyond

Historically, higher interest rates have led to a positive market environment for energy stocks. Oil prices have surged in the early part of 2022 due to a global supply crunch. This has been great news for top integrated energy companies like **Suncor** (TSX:SU)(NYSE:SU). Shares of this Canadian stock climbed 54% in 2021. It has increased another 7.9% in 2022 as of close on January 18.

Suncor put together a fantastic 2021, as it returned to form. In addition to the stock's great run, the company announced a quarterly dividend increase back to $0.42 per share. That represents a solid 4.7% yield at the time of this writing.

Shares of this Canadian stock possess a favourable price-to-earnings (P/E) ratio of 22. TFSA investors should look to snatch up this super energy equity ahead of potential rate hikes.

You can still trust top bank stocks when interest rates rise

Back in November, I'd discussed why banks and financial assets were worth snatching up, as interest rates rise. Banks have thrived, as historically low interest rates have allowed institutions to balloon lending. Higher interest rates may limit credit growth, but they will also dramatically improve profit margins.

Royal Bank (TSX:RY)(NYSE:RY) is the top financial institution in Canada. Its shares climbed 33% in

2021. The stock has jumped another 8.6% to start this year. In 2021, Royal Bank delivered net income growth of 40% year over year to $16.1 billion. Meanwhile, diluted earnings per share increased 41% to $11.06. It delivered earnings growth of 54% in its Personal Commercial Banking segment.

This top Canadian stock last had a solid P/E ratio of 13. TFSA investors can also rely on its quarterly dividend of $1.20 per share. That represents a 3.2% yield.

One more Canadian stock to snatch up in your TFSA today

Enbridge (TSX:ENB)(NYSE:ENB) is another top energy stock that I'd suggest snatching up ahead of the rate hikes that many experts are projecting. This Canadian stock rose 30% in 2021. Its shares have climbed another 6.5% to start 2022 as of close on January 18.

Investors can expect to see its final batch of 2021 earnings on February 11, 2022. Adjusted earnings rose to $1.2 billion, or $0.59 per common share, in Q3 2021 — up from $1.0 billion, or $0.48 per common share, in the third quarter of 2020.

TFSA investors should be attracted to Enbridge's impressive history of dividend growth. It possesses a favourable P/E ratio of 18. Moreover, it offers a quarterly dividend of $0.86 per share. That represents a tasty 6.5% yield.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:RY (Royal Bank of Canada)
6. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aocallaghan
2. kduncombe

Category

1. Investing

Date
2025/08/21
Date Created
2022/01/19
Author
aocallaghan